

# INDIA ANALYSED

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*It is the growing, and not the decaying forces of society  
which create the most disquieting problems.*

GRAHAM WALLAS

# INDIA ANALYSED

will be completed in four volumes, of which one has been published, and III. and IV. will be ready shortly.

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V The Reality of the Round Table Conference : F. W. Wilson, *Ex-Editor, the "Pioneer," India.*



# INDIA ANALYSED

## VOLUME II ECONOMIC FACTS

BY

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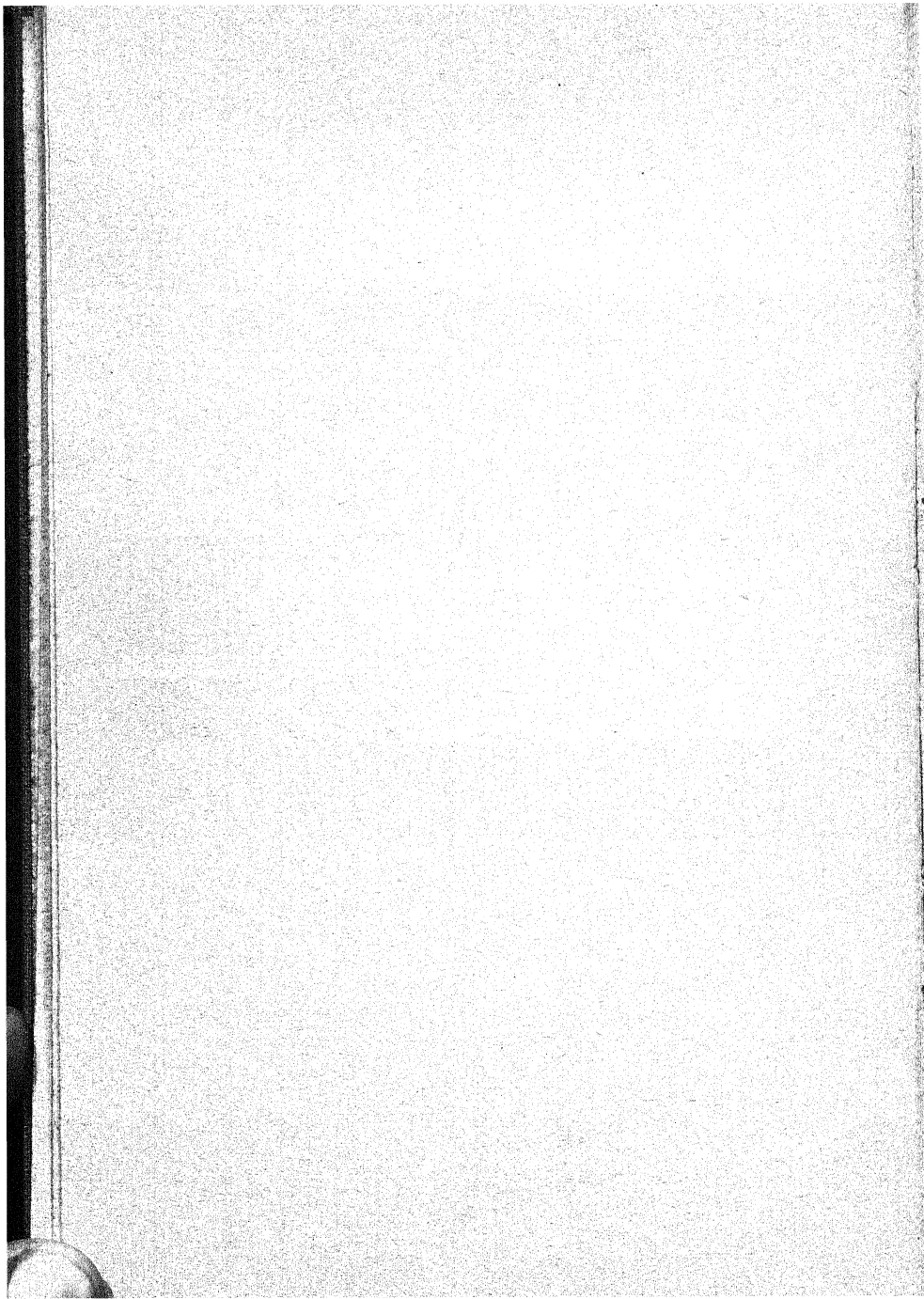
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To  
THE OXFORD UNIVERSITY GANDHI GROUP  
IN WHOSE DISCUSSIONS THE NEED FOR  
THIS SERIES WAS REALISED

F. M. B.  
B. P. L. B.



## EDITORS' PREFACE TO THE SERIES

THE AIM of the "India Analysed" series is to give in four volumes a picture of present-day India. The writers, English and Indian, who are best qualified to speak on the subject have been asked to contribute. The books do not seek to press any sectional point of view, but aim at producing a composite picture. Where the views expressed by the contributors differ from one another, it is left to the reader to appreciate the difference of opinion, to weigh the pros and cons as they are given to him, and to judge for himself.

We have attempted to provide an interesting and detailed account of the Indian situation to-day, and the forces that have gone to make it up, but an account that is neither too technical nor lacking in general interest. It is intended first and foremost for the man with an intelligent interest in Indian affairs who is not satisfied with the scrappy and often biased accounts he finds in the newspapers ; and secondly for the student who will only find such material by spending time he can ill afford among a pile of Indian journals. The series, in fact, attempts to give an integrated picture of India by bringing together the views of those Indians and Englishmen who can speak with authority.

In Volume I., International, the contributors have between them dealt objectively with the many facets of India's international life : her significance in the complex international situation to-day ; her

relationship with members of the British Empire ; her position as a member of the League ; her importance as one of the rich fields for the activity of the International Labour Office. One chapter in this volume has been devoted to an entirely original line of enquiry, i.e. the discussion of the provisions which must be made in the framework of the Indian Constitution, while it is yet in the process of being made, which may in the fullness of time enable India to enter into international obligations without constitutional friction. This volume might be called "India in perspective." No study of India has so far been attempted from the international point of view on the lines of this volume.

From the general we come to the particular : from the panorama to the objects in the landscape. Volume II., *Economic Facts*, is an attempt to depict actual conditions in India to-day. The contributors are, with one exception, Indian, as we have judged Indians themselves most competent to speak of the economics of their own country. We have tried to cover as many aspects of Indian economic life as possible in a short volume : the produce of agriculture and industry, the condition of the peasant and labourer, and the position of India in the world market. One chapter specially deals with the potentialities which India possesses for her future industrial development.

Volume III., *Economic Issues*, deals with the urgent economic problems which face India at present and will face her in the future : first, internal problems such as the burden of taxation in relation to the social services which exist in India,

and the part which foreign capital plays in the Indian capital market. In the second place, two chapters are devoted to the study of the external issues between England and India, such as the public debt of India, and the effects of linking the rupee to the £ when England went off the gold standard. These are real problems which need careful study by those who intend to follow the course of Indo-British relationship. Thirdly, in view of the predominance of agriculture in India's national economy, the closing chapter of the economic volumes deals with the potentialities of agriculture.

The fourth and last volume (Volume IV., Constitutional) gives an analysis of the Indian constitutional situation. On its historical side, one chapter shows the reader the structure of the Indian constitution to-day, another the relationship of the States with the Crown, the third gives a statement and discussion of the Minorities problem. These chapters make the reader realise the immensity of the problem. The last two chapters show how the British Government has tried to meet the situation. The chapter on law and order describes how the Indian nationalist aspirations were dealt with by extra-constitutional methods. The chapter on the reality of the Round Table Conference shows how the firm hand was supplemented by consultation and efforts at constitutional advance.

We have edited this series in the belief that only by looking at the complexity of India from every side can a true idea of the immensity of the problem be achieved. If our efforts succeed in arousing both

Indians and Englishmen to the gravity of the issues which are embittering the relationship of two great peoples, and if this series helps them to have a better groundwork of knowledge with which to tackle the grim problems before them, the work would not have been undertaken in vain.

FREDA M. BEDI,  
B. P. L. BEDI.

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CHART OF INDIAN MONEY AND NUMBERS

Money

1 rupee = 1s. 6d. (present ratio)

1 rupee = 16 annas

1 anna = 12 pies

Numbers

1 lakh written 1,00,000 = one hundred thousand

10 lakh written 10,00,000 = one million

1 crore written 1,00,00,000 = ten millions



## EDITORS' PREFACE TO VOLUME II., ECONOMIC FACTS

THE SCOPE of these volumes has already been outlined in our preface to the series. The object of these few lines is to draw attention to the bibliography.

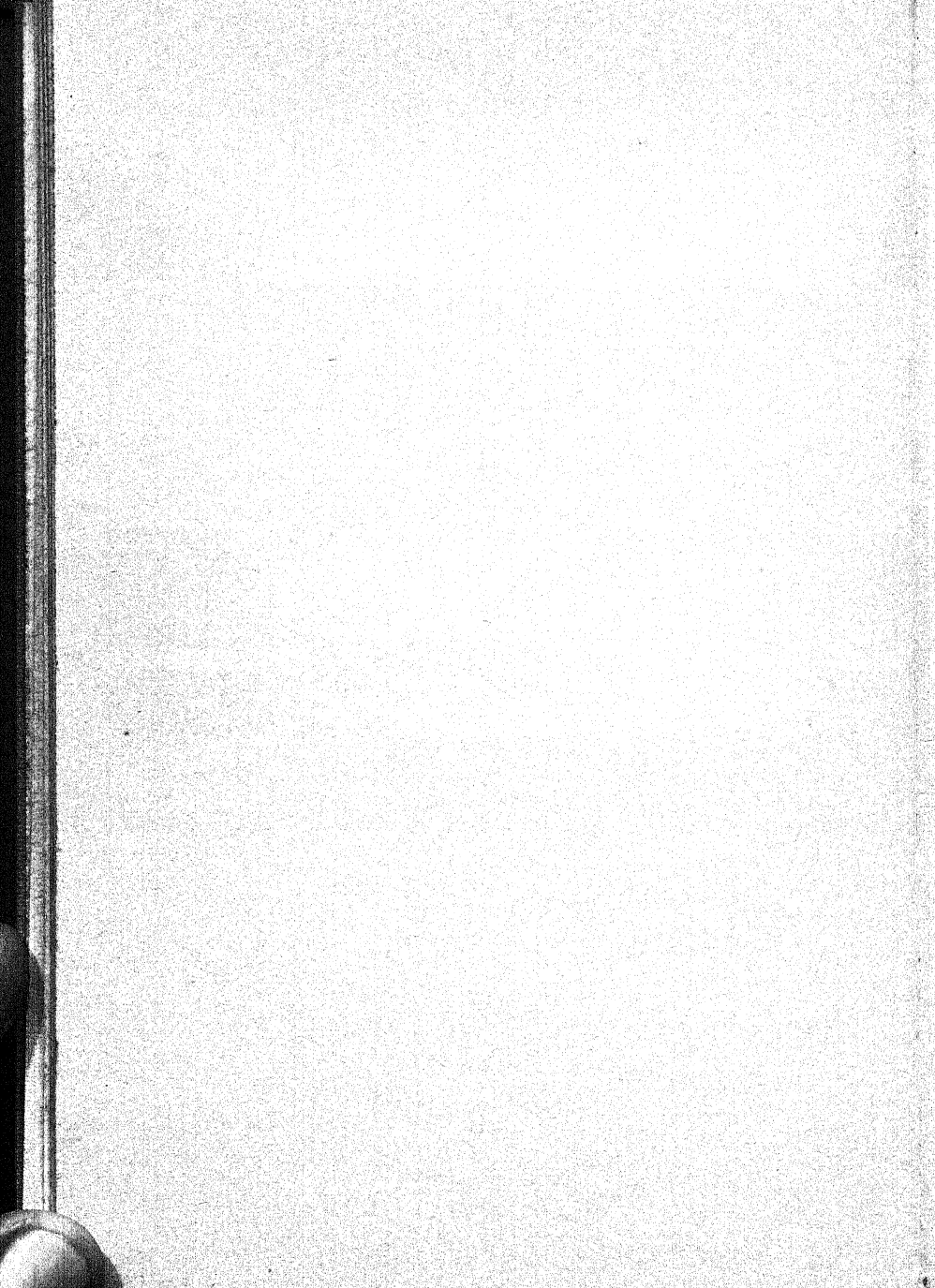
We have compiled the bibliography in order to enable the reader to make a further study of the particular problems in which he happens to be more interested. We have classified the suggested books alphabetically under different sections, but the classification is by no means watertight—it will be found, for instance, that books on “The Manufacturer” are much fewer than those on “The Labourer.” But many of the books on labour and industry are quite as important in relation to the manufacturer, and the same is true in the case of the books classified under “General.”

We acknowledge with thanks the suggestions sent by Prof. Brij Narain for the bibliography of his chapter.

Moreover, for the convenience of readers outside India, we have found it necessary to give a chart explaining Indian money and numbers.

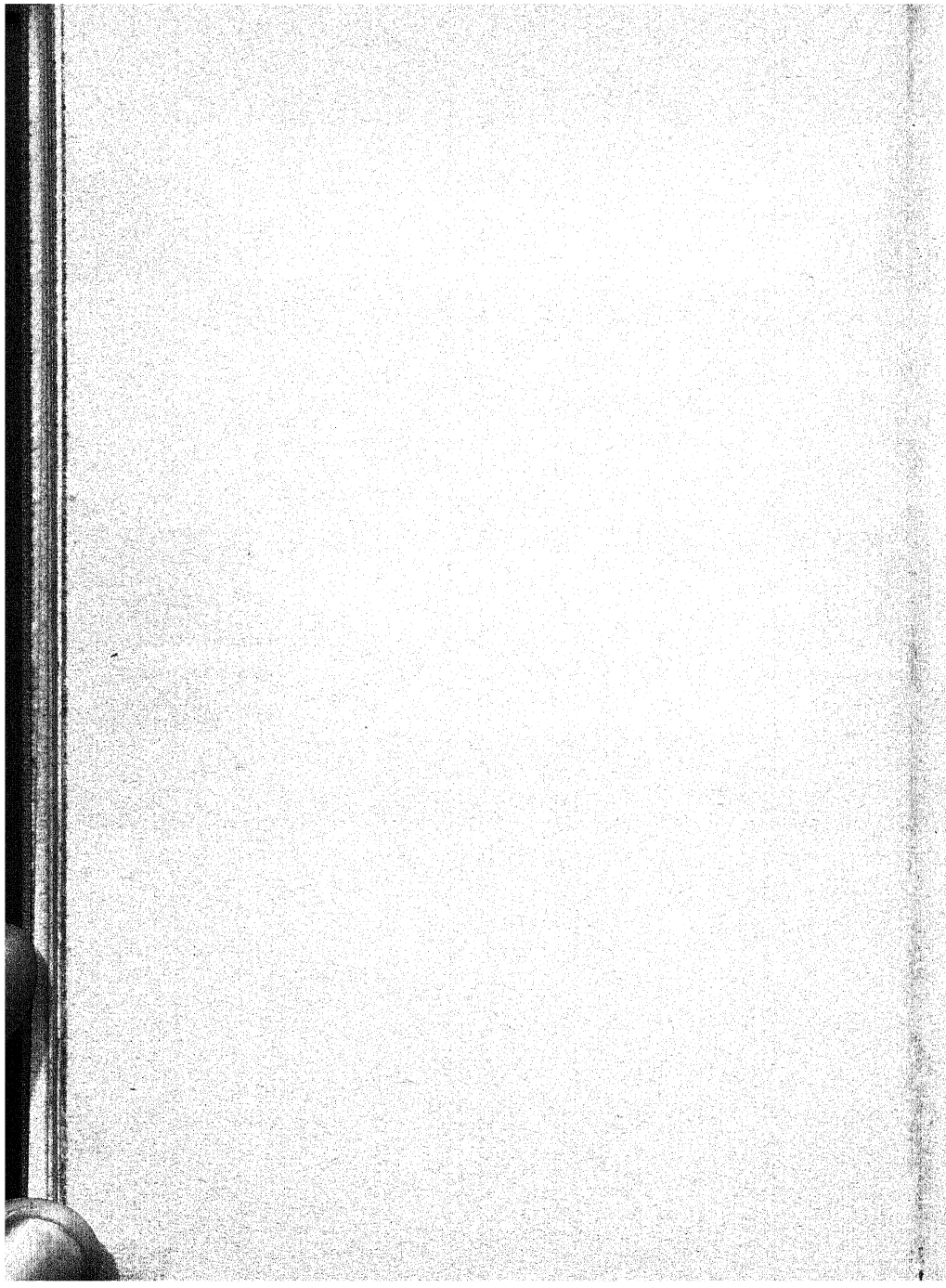
BERLIN,  
*October 5th, 1933*

F. M. B.,  
B. P. L. B.



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## 1. THE PEASANT

*By* PROF. BRIJ NARAIN

AGRICULTURE supported 65.2 per cent of the total population of India in 1901, 69.8 per cent in 1911, and 70.9 per cent in 1921. During the same period, 1901-21, the population dependent on "Industry" decreased from 15.5 per cent to 10.7 per cent, or agriculture gained at the expense of "Industry."

What is the situation at present ?

The abstract tables giving the main statistics of the census of 1931 do not show the proportion of the total population dependent on agriculture. The total number of workers employed in "Pasture and Agriculture" in 1931 was 102,454,000 out of 154,391,000 (the total number of workers, both male and female). The proportion of agricultural workers to the total number of workers in 1931 was thus 66.4 per cent.

In 1921 the total number of workers was 146,414,000, of which 104,944,000, or 71.7 per cent, were employed in "Pasture and Agriculture."

That the number of agricultural workers should have decreased from about 105 millions

in 1921 to about 102½ millions in 1931, while the population increased by 10.6 per cent, is wholly incredible.

As compared with 1921 the number of workers engaged in trade and industry slightly declined in 1931. But "Domestic Servants" increased from 2,532,000 in 1921 to 10,858,000 in 1931. Of these, female domestic servants increased from 822,000 in 1921 to no less than 8,764,000 in 1931, or ten times !

Reports on the 1931 census were not available at the time of writing, but the only possible explanation of the incomprehensible decrease in the number of agricultural workers and the impossible increase in that of Domestic Servants is a change of classification. In view of the general rate of growth of numbers in 1921-31 it may be concluded that the numbers supported by agriculture to-day are greater than ever before.<sup>1</sup>

<sup>1</sup> The *Report on the Census of India*, Vol. I., just published (end of September 1933), describes the decrease of agriculturists since 1921 as "apparent," and says that it "is not to be taken at its face value, on account of the transfer of returns to 'domestic service' and to the unspecified category" (p. 289). It may also be noted that in 1931 there were 407 agricultural labourers to every 1,000 cultivators, as compared with 291 in 1921. Commenting on this, the Census Commissioner says: "In any case, the change in ratio is somewhat remarkable, even when adopting the lowest ratio [given above] which can be compared with that of 1921. Possibly the explanation is that a large increase has taken place in the agricultural population without a corresponding increase in actual holders of land, whether as tenants or owners, though it is likely that a concentration of land in the hands of non-cultivating owners is also taking place" (p. 288).

In the Punjab there was a decrease under "domestic service" of 3.7 per cent, while the category of "cultivators" shows an increase of 25.7 per cent, from 5,075,000 workers in 1921 to 6,381,000 in 1931 (*Punjab Census Report*, 1931, chap. viii.).



India's agricultural income has fallen heavily during the past three or four years. Agriculture in the West has come under the influence of technical progress, and, as a result, the demand of Western countries for our food-stuffs and raw materials is rapidly declining. Not only has there been a fall in the value of our exports, but a decrease in the quantities of the principal articles exported. Not long ago, in 1924-25, we exported over one million tons of wheat. No one wants our wheat now, and we are compelled to levy a duty on foreign wheat in order to keep it out of our markets. As compared with the year 1929-30 the quantity of exports of raw cotton decreased more than 40 per cent in 1931-32, the value of exports falling from 65 crores to about  $23\frac{1}{2}$  crores. Since then there has been a further decline both in the value and volume of exports of cotton and other raw produce.<sup>1</sup>

The whole economy of our country is based on exports of food-stuffs and raw materials. Further, a debtor country, if it is to remain solvent, must have a surplus of exports at least equal in amount to her annual indebtedness. Our "Home Charges" amount to over 40 crores of rupees annually. In 1929-30 the balance of trade in merchandise was in our favour to the extent of about 79 crores. It fell

<sup>1</sup> Exports of Indian merchandise decreased from 156 crores in 1931-32 to 132½ crores in 1932-33, and those of raw cotton from 23½ crores to 20½ crores.

to about 35 crores in 1931-32, and  $3\frac{1}{2}$  crores in 1932-1933. This means that we are paying our debts abroad by exporting gold, or that the country is living on its capital—a dangerous process.

The decline in the demand for our exports is due to causes of a more or less permanent nature. In course of time a new equilibrium will be established between the world supply and the world demand for raw produce, but there is little or no hope of an increase in exports to the level of even four or five years ago.

The Indian peasant has been hit hard by the trade depression. The fall in prices and the decrease in the volume of exports make it clear that his income has fallen heavily. What does he earn at present?

Unfortunately, data enabling us to form a reliable estimate of the peasant's income in different parts of the country do not exist. This information is available only for certain districts of the Punjab.

*Farm Accounts in the Punjab, 1930-31*, by Sardar Kartar Singh of the (Government) Agricultural College, Lyallpur, gives details of expenditure and income for selected holdings in nine districts of the Punjab. This is the seventh of a series of publications on this subject. The *Farm Accounts* are invaluable for the study of agricultural income in the Punjab. And when we remember that agriculturally the



Punjab is the most advanced Province of British India, and that the level of agricultural prosperity in the Punjab is higher than in other Provinces, the figures of net income from cultivation in 1930-31 acquire a terrible significance.

The following table shows the average net income per acre of the cultivators of various districts, assuming that the whole land belonged to the cultivators :

TABLE I

Showing the Net Income per Acre of the Cultivators of various Districts, if the whole Land had belonged to them (*Farm Accounts in the Punjab, 1930-31*).

Districts	Net Income								
	1928-29			1929-30			1930-31		
	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.
Lyallpur . . . . .	53	14	3	44	6	7	11	14	11
Sargodha . . . . .	35	3	7	12	7	10	3	6	2
Montgomery . . . . .	42	11	7	32	0	9	9	1	8
Amritsar . . . . .	64	5	5	27	12	0	7	15	2
Rohtak . . . . .	31	0	0	18	0	3	13	1	5
Multan . . . . .	14	11	6	13	9	9	10	15	6
Jullundar . . . . .	38	12	0	23	13	6	11	12	9
Hoshiarpur . . . . .	20	7	7	31	7	7	12	10	4
Ludhiana . . . . .	21	3	3	12	4	4	3	7	2

## Averages :

Canal Colonies . . . . .	53	0	2	42	15	2	11	5	7
Well-irrigated . . . . .	32	2	0	18	7	6	9	2	9
<i>Total</i> . . . . .	47	7	8	36	12	9	10	14	2

## Excluding Risalewala :

Canal Colonies . . . . .	33	11	4	24	3	0	5	8	4
<i>Total</i> . . . . .	32	8	4	20	1	3	7	14	7

One of the canal-irrigated holdings included in these accounts is the Risalewala Government Farm in the Lyallpur district. The farm is managed by the Government Department of

Agriculture, and is over 800 acres in area. It is unrepresentative of the average zamindar holding ; average net income, excluding Risalewala, has therefore been shown separately in the table.

It is seen that net income per acre fell from Rs.32½ in 1928-29 to Rs.20 in 1929-30, and about Rs.8 in 1930-31. It may be further noted that the selected holdings are situated in the relatively prosperous districts of the Punjab. The study of *barani* holdings (those dependent on rainfall alone) has been altogether neglected. If *barani* holdings in such districts as Mianwali, Campbellpur, Hissar, and Gurgaon were included, the average net income per acre would probably fall to about 4 or 5 rupees.

In the Punjab over 55 per cent of the cultivators cultivate less than 5 acres, and the amount of land per cultivator in other parts of India is not more. Assuming, then, that the whole land belonged to the cultivator, the net income from cultivation in 1930-31 of a cultivator of 5 acres was, on an average, Rs.40. As we have seen, the inclusion of *barani* holdings would considerably reduce this amount.

#### TAXATION

The agriculturist does not pay the income-tax, but the Government claims a share in the

profits of cultivation in the shape of the land revenue. I do not propose to discuss the question in detail whether the land revenue is of the nature of rent or of a tax. The Government has no proprietary right in the case of lands under permanent settlement. In regard to temporarily settled tracts, the utmost that can be said is that the Government regards the land as hypothecated to itself as security for the payment of the land revenue. That does not mean Government ownership of the land. We may conclude with Baden-Powell that while the land revenue is a thing *per se*, it "operates as a tax on agricultural incomes."<sup>1</sup>

*Farm Accounts in the Punjab, 1930-31*, gives a table showing the proportion of the land revenue to the gross income of various holdings. But it is out of gross income that the expenses of cultivation are met. The taxable capacity of the landowner depends, not on his gross but net income. To estimate the burden that the land revenue imposes on the landowner we must, therefore, consider the proportion of the land revenue to net income. The following table (II) is based on data borrowed from the *Farm Accounts* for 1930-31.

As regards the 19 well-irrigated farms, the proportion of the land revenue to gross income was 6.3 per cent.

When we consider net income per acre, it is

<sup>1</sup> *Land Revenue in British India*, p. 49.

TABLE II

Showing the proportion of the Land Revenue to Gross and Net Income per Acre for various Holdings in 1930-31 (*Farm Accounts in the Punjab, 1930-31*).

Districts and Holding		Net Income per acre			Land Rev. per acre			Proportion of L.R. to Net Income per cent	Proportion of L.R. to Gross Income per cent
Well-irrigated Holdings		Rs.	a.	p.	Rs.	a.	p.		
Jullundur A.	.	13	12	9	3	3	8	23.4	6.0
„ B.	.	18	12	3	2	5	0	12.3	6.6
„ C.	.	—	5	8	6	2	14	9	7.7
Ludhiana A.	.	2	7	11	1	13	7	74.2	9.1
„ B.	.	—	1	11	9	2	0	8	5.6
Hoshiarpur A	.	11	12	10	3	1	3	26.1	6.7
„ B	.	21	8	8	4	2	1	19.2	6.6
Amritsar A .	.	—	0	0	7	1	14	0	6.4
„ B .	.	10	2	2	2	3	2	21.7	4.4
„ C .	.	1	2	5	1	1	9	96.7	3.0
Multan A .	.	4	13	10	1	9	3	32.5	7.3
„ B .	.	11	4	5	1	12	3	15.7	6.1
„ C .	.	3	15	8	0	13	5	21.0	5.5
Rohtak A .	.	—	2	0	11	2	5	0	6.1
„ B .	.	23	3	2	3	5	8	14.5	5.6
„ C .	.	8	12	10	3	6	4	38.5	8.0
Jhelum A .	.	9	15	7	1	11	4	17.1	6.3
„ B .	.	—	3	6	11	1	12	2	7.5
„ C .	.	—	0	10	0	1	6	5	11.5
Average .	.	—			2	4	1	—	6.3
Canal-irrigated Holdings									
Lyallpur, Batai .	.	10	8	5	5	9	9	53.3	15.0
„ Siri .	.	8	9	5	4	7	8	52.2	15.2
„ Risalewala .	.	18	8	11	7	0	9	37.9	13.8
Montgomery, Batai	.	11	3	10	2	2	2	19.0	5.3
Sargodha, Siri .	.	6	10	7	3	4	5	49.1	15.3
Average .	.	—			4	7	4	42.3	12.5

Note. Minus (—) signifies loss.

found that for five farms this tax amounted to more than 12 per cent but less than 20 per cent ; for three farms more than 20 per cent but less than 25 per cent ; for three other farms more than 25 per cent but less than 40 per cent ; for one farm it was 74.2 per cent ; and for another 96.7 per cent. Finally, six farms paid the land revenue at rates varying between Rs.1 6a. 5p. and Rs.2 14a. 9p. per acre while their net income was negative.

In theory the land revenue in the Punjab does not exceed 25 per cent of net assets. In actual practice the land revenue demand may absorb practically the whole of the net income from cultivation. More. The State, as is evident from Table II., insists on its pound of flesh even when the landowner, instead of earning anything, has suffered financial losses.

It is impossible to reconcile such heavy taxation with any known canons of taxation. The income-tax levied on non-agricultural sources of income has an exemption limit ; the land revenue knows none. The income-tax is graded and progressive ; the land revenue, to quote the words of the Indian Taxation Enquiry Committee, is not only not progressive, " but actually tends in the opposite direction."<sup>1</sup>

The land revenue is a relic of old times. The dictum that an old tax is a good tax does not

<sup>1</sup> *Report of the Indian Taxation Enquiry Committee, 1924-25, p. 77.*

apply to the land revenue, as, during the past 100 years, owing to the growth of numbers, the decline of industries, and the consequent increase in the pressure of population on the soil, economic conditions have changed materially for the worse for the agricultural classes.

#### LANDLORD AND TENANT

Table I. given above assumes that the whole land belonged to the cultivators. It ignores landlordism. As a matter of fact, even in the Punjab, which is called the land of peasant proprietors, about 60 per cent of the land is cultivated by tenants paying cash or grain rents (chiefly the latter). This proportion is higher in the United Provinces and Bengal.

I am concerned more with the worker than with the landlord who lives on the fruits of others' toil. What is the net income of the cultivator, the real peasant?

We possess accounts of three farms, including Risalewala Government Farm, which were given by owners to cultivators on *batai* in 1930-31. The gross produce in each case was shared equally between the landlord and the tenant. In the case of the Government Farm the tenants paid the whole water rate, but no land revenue; in the other two cases the land

revenue and the water rates were paid half and half by the tenant and the landlord. Other expenses of cultivation were borne mainly by the tenants.

The following table summarises the results of cultivation in the case of these three farms :

TABLE III

*Canal-irrigated farms cultivated on the batai system in 1930-31.*

Size of farm and District	Gross Income per acre			Expenditure per acre			Net Income per acre		
	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.
<b>Lyallpur, 27½ acres</b>									
Landlord . . .	17	14	0	6	15	6	10	14	6
Tenant . . .	17	13	11	23	13	9	- 5	15	10
Total . . .	35	11	11	30	13	3	4	14	8
<b>Lyallpur, Risalewala Gov't Farm, 802½ acres</b>									
Landlord . . .	25	3	0	8	7	11	16	11	1
Tenant . . .	25	7	11	23	10	1	1	13	10
Total . . .	50	10	11	32	2	0	18	8	11
<b>Montgomery, 25 acres</b>									
Landlord . . .	20	10	6	7	13	2	12	13	4
Tenant . . .	19	14	0	23	9	8	- 3	11	8
Total . . .	40	8	6	31	6	10	9	1	8

It is seen that on two of these farms the net income of the tenant was negative ; on the Government Farm, while the Government as landlord reaped Rs.16 11a. 1p., the tenant earned Rs.1 13a. 10p. per acre.

The Government Farm was cultivated by 39 tenants ; of these 11 suffered losses varying from Rs.16 0a. 9p. to Rs.247 13a. 7p. on their holdings. It should be noted that in the account of expenditure, remuneration for the



labour put in by the tenant or his family is not included. The net income of the tenant is thus the reward for his toil for a year. These 11 tenants of the Government worked for a whole year entirely for the benefit of their landlord !

The average net income of the family and per man for the 39 Government tenants has thus fluctuated during the past four years.

TABLE IV

Year	Average net income of the family per day			Average net income of the family per day worked			Average net income per man per day			Average net income per man per day worked		
	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.
1927-28 .	0	14	0	2	1	4	0	6	8	0	15	10
1928-29 .	1	2	6	2	7	4	0	8	10	1	2	8
1929-30 .	0	13	1	1	12	11	0	5	9	0	12	8
1930-31 .	0	1	8	0	3	7	0	0	9	0	1	7

The most interesting figures are those given in column 4, showing average net income per man per day. The cultivator does not work for 365 days in the year, but whatever he earns is his income for the whole year. The average net income per man per day was about 9 annas in 1928-29, about 6 annas in 1929-30, and 3 pice in 1930-31.

The following table summarises the results of *batai* cultivation in 1923-24 and from 1925-26 to 1930-31. It is interesting as showing the proportion of the net income from cultivation which is claimed by the landlord as rent :



TABLE V

Batai Cultivation, 1923-24 and 1925-26 to 1930-31.

Year, District and Farm	Net Income per acre, Batai 50 per cent									Proportion of Landlord's income to total income per cent
	Landlord			Tenant			Total			
	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	
1923-24										
Lyallpur, 232 acres	30	3	0	19	3	0	49	6	0	61.1
1925-26										
Lyallpur, 28 acres	40	9	1	26	0	4	66	9	5	60.9
„ 88 „	52	13	4	34	5	6	87	2	10	60.6
Montgomery, 50 acres	35	13	6	19	6	0	55	3	6	64.9
„ 175 „	31	11	11	19	9	0	51	4	11	61.8
1926-27										
Lyallpur, 28 acres	26	13	0	23	0	2	49	13	2	53.9
„ 228 „	25	5	1	14	9	4	39	14	5	63.4
„ 796 „	39	7	10	19	11	1	59	2	11	66.7
Montgomery, 50 acres	25	15	9	12	6	0	38	5	9	67.7
Sargodha, 135 „	15	12	9	4	8	1	20	4	10	77.9
1927-28										
Lyallpur, 28 acres	12	3	1	5	11	8	6	7	5	188.7
„ 240 „	21	8	7	8	5	4	29	13	11	72.1
„ 796 „	37	9	1	16	12	10	54	5	11	69.1
Montgomery, 50 acres	19	12	1	4	6	1	24	2	2	81.9
„ 42½ „	34	11	9	18	12	0	53	7	9	64.9
Sargodha, 28 acres	25	7	6	12	6	9	37	15	3	67.2
1928-29										
Lyallpur, 28 acres	24	13	10	9	0	8	33	14	6	73.3
„ 799 „	39	0	7	22	3	2	61	3	9	63.7
Montgomery, 24½ acres	26	8	4	16	3	3	42	11	7	62.1
Sargodha, 28 acres	26	4	2	8	15	5	35	3	7	74.6
1929-30										
Lyallpur, 28 acres	23	1	10	6	4	2	29	6	0	78.7
„ 802½ „	36	5	10	14	13	9	51	3	7	70.9
Montgomery, 36½ acres	21	13	1	10	3	8	32	0	9	68.0
Sargodha, 28 acres	12	4	5	0	3	5	12	7	10	98.3
1930-31										
Lyallpur, 27½ acres	10	14	6	5	15	10	4	14	8	221.7
„ 802½ „	16	11	1	1	13	10	18	8	11	90.0
Montgomery, 25 acres	12	13	4	3	11	8	9	1	8	140.9
Average, 27 farms	—	—	—	—	—	—	—	—	—	82.4

The table is based on *Farm Accounts in the Punjab*.

The average for 27 farms is 82.4 per cent, or, of the net income from cultivation, less than 18 per cent is enjoyed by the worker and the rest goes to the non-working owner of the land as rent.

The evils of landlordism are well illustrated by the Risalewala Farm. The farm is managed efficiently by the Government Department of Agriculture, for, of all holdings included in the *Farm Accounts*, the Risalewala Farm has shown the highest net income during the past five years. Then no land revenue was paid. If the Risalewala Farm had been a private farm, the Government would have claimed Rs.7 oa. 9p. per acre as land revenue. The Government's share of the gross produce was about half, which is the usual practice. But the Government's share of the total net income amounted to no less than 90 per cent in 1930-31, the tenant earning on the average 10 per cent as the reward for his labour.

What can agricultural improvement mean for tenants who have to give up, on an average, more than 80 per cent of the net income from cultivation as the price for the use of land? Their only hope of salvation lies in sweeping away the whole system of private ownership, which penalises honest labour and puts a premium on idleness.

Prof. Hearnshaw in his *Survey of Socialism* says :

"We ask the Socialists what motive to produce they propose to substitute for that private enterprise, that hope of profit, that desire for independence, that passion to provide for wife and children, that ambition to excel in the world, that aspiration after honourable place and creditable power, which have been the main inducements to economic activity up to the present, and the chief factor in industrial progress? For under the Socialistic régime all these individualistic and competitive motives will be damped down as indecent and disallowed."<sup>1</sup>

It will be ridiculous to speak of "enterprise," "hope of profit," "desire for independence," or "passion to provide for wife and children," in the case of cultivators who, under the existing system of land-ownership, live and work not for themselves and their family, but for others.

Prof. Hearnshaw's argument has little application to the agricultural East, whatever may be its value for the industrial West.

Landlordism is largely a product of British rule. Our agrarian system under the Moghul Kings was essentially different.

As regards pre-Moghul times, Moreland finds no evidence to show that rent-paying tenants existed in the fourteenth century.<sup>2</sup>

<sup>1</sup> *Survey of Socialism*, pp. 357-58.

<sup>2</sup> *The Agrarian System of Moslem India*, 1929, p. 64.

Tenants may have existed under Akbar and his successors, but all our evidence points to the conclusion that, if they existed at all, they were unimportant as a class. The *Ain* contains no regulations about them, and it recognizes no intermediaries between the tiller of the soil and the State. Akbar dealt directly with the cultivator—this is clearly shown by the instructions to the Revenue Collector. He was to “deal with each husbandman, present his demand, and separately and civilly receive his dues” ; he was to “stipulate that the husbandman bring his rents himself at definite periods so that the malpractices of low intermediaries may be avoided.”

Further, both under Akbar and Jehangir there was no lack of good cultivable land.

There is a reference to the system of cultivation in the accounts of India in the first half of the seventeenth century by two Dutch factors, W. G. De Jongh and Van Twist. De Jongh served as head-factor at Burhanpur and Broach from 1623 to 1632, and in 1636 he returned to India as an assistant director of the Dutch factory at Surat. He wrote a detailed account of the trade at Ahmedabad and other towns on the West coast in 1628 or 1629, which was published in Holland in 1929. De Jongh says:

“Land is divided among cultivators in the following manner : Anyone wishing to sow

land goes to the headman of the village, called *Mockedons* (*Mugaddam*) in their language, and asks permission to cultivate as much land as he wishes to sow and in such place as is convenient to him, which permission is seldom refused, and almost always granted. Since, of the cultivable land, not one-tenth is sown, everyone can get as much land as he wants and [land] of his choice, and he may sow as much as he can cultivate."<sup>1</sup>

According to De Jongh, the State claimed three fourths of the gross produce as its share in Ahmedabad. Van Twist mentions "one-half and sometimes three-fourths" as the King's share in Gujrat, and adds: "For fields and pasture-land, where their cattle graze, they pay little or nothing; a thousand times more land lies untilled as compared with that which is tilled."<sup>2</sup>

<sup>1</sup> "De uijtdelinge van de landen aen de lantluijden gaet in dese volgende maniere: soo yemant eenich lant van meninge is te besaijen, gaet bij den oversten vant dorp, die in haer spraecke *Mockedons* genaemt werden, versoeckende aen hem soo veele lants als van meninge is te besaijen ende opt sodanige plaetse als hem gelegen comt, dat hem selden geweygert maer al meest vergunt wert; alsoo hier het thiende paert vant lant niet beplant wert, oversulcx een ieglick zijn keuze ende quantiteijt dat van noode is wel becomen can ende soo veel mach besaijen als can bearbeijden" (*De Remonstrantie van W. Geleynssen De Jongh*, edited by Prof. Caland, 1929, the Hague, p. 40).

<sup>2</sup> "Van de Velden ende Benden daer sy haer Beesten op weyden/ betalen weynich/ofte niet; also der wel duysentmael meer Lants ledich leynt/alsser bezaeyt wordt" (*Generale Beschrijvinghe van Indien*, by Johan Van Twist, edition 1638, p. 63).

These writers should not be interpreted literally, but two things are clear. The State's share in Gujrat may have been one-half or a little more or less, but it was considerable ; and second, there was no lack of good cultivable land.

It is obvious that when a cultivator has to pay heavy Government dues, and when he has access to any amount of good land, he would not care to cultivate for another. We may, therefore, assume that in the sixteenth and seventeenth centuries the normal agriculturist in Northern India was the actual tiller of the soil, not the non-cultivating owner.

Next consider the position of the assignee and the revenue farmer. About the latter little need be said here. The farming system spread under Akbar's weak successors, and the evil existed in its worst form in Southern India. Under the strong and efficient administration of Akbar there were no revenue farmers. There is, however, some evidence to show that while Akbar preferred to pay salaries in cash, assignments of revenue in lieu of cash salaries were not uncommon, particularly in the latter part of his reign.

An assignment of revenue to an officer under Akbar simply meant that that officer took the State's share of the gross produce of the land. He could not take more. The standard of the State's demand was set by the sanctioned

assessment rates which applied to the whole country—to reserved as well as assigned tracts.

There is a world of difference between Akbar's assignees and the landlords of to-day. The assignee, as a servant of the Emperor, was bound to maintain at his own cost a definite force of cavalry for the Emperor's needs. This obligation was not merely theoretical. "In the thirtieth year [of Akbar's reign]," we read in the *Akbarnama*, "general orders issued that all assignees in the North should prepare for the expedition to the Deccan." The old assignee, then, in the first place, was no intermediary between the tiller of the soil and the State; he represented the State so far as the payment of the land revenue was concerned. In the second place, he performed important duties. The modern landlord, on the other hand, (1) claims a share in the produce of the land as an intermediary, not on behalf of the State; and (2) performs no duties whatsoever. The officials who maintain "Law and Order" form a class quite distinct from that of landlords, and, while during the Great War some landlords acted as recruiting sergeants, no orders (so far as I know) were issued mobilising them against any enemy either in the East or in the West. The position, in fact, is now quite the reverse of what it was in the old days. The old assignee protected the cultivator; now it is the duty of the cultivator (the Punjabee soldier is drawn



from the peasant class) to protect the landlord. In a Jat village you will meet many ex-soldiers—all petty farmers, but few landlord warriors. In any case (and this is the point of my argument) a landlord *qua* landlord is under no obligation to serve anybody in any capacity.

#### POLITICAL STATUS

In this Chapter we are mainly concerned with the economic condition of the peasant. But a brief reference to his political status will not be out of place.

The peasant has no voice in the administration of the country.

Under the existing constitution the Councils are dominated by landlords. The number of seats reserved for "land-holders" in British India (excluding Burma and Assam) was 32. But the estimated number of members of present Councils who are landlords or landowners is 306 out of a total of 600 (excluding Assam and Burma).<sup>1</sup>

As regards the new constitution, which is under consideration, the policy of granting special representation to special interests has been accepted. Special seats will be reserved in the reformed legislatures for Europeans, Anglo-Indians, Indian Christians, Depressed Classes, and industrial labour. "The numbers

<sup>1</sup> *Report of the Simon Commission*, Vol. II., p. 77.



of Europeans in India," wrote the Simon Commission, "are no fair measure of the contribution they make to the country or of the influence which they exert."<sup>1</sup> In regard to Anglo-Indians it seemed "inevitable" to the Commission that separate electorates must be formed. For Indian Christians they recommended reservation of seats, and industrial labour and Depressed Classes were not forgotten.

The tenant is not mentioned in the Simon Report !

It would appear that those who till the land and produce the greater part of the wealth of the country make no contribution to the country !

It is proposed to enfranchise some tenants. But that does not mean that there will be a single representative of their class in the reformed legislatures.

#### CONCLUSION

The Punjab peasant (i.e. the tiller of the soil, not the rent-receiving landlord), as we have seen, is incredibly poor. Though authoritative facts regarding agricultural income in other parts of India are not available, it is certain that the peasant in other Provinces is not more prosperous.

The Indian Central Banking Enquiry Committee put the total rural indebtedness of India

<sup>1</sup> Ibid., p. 68.

at about Rs.900 crores, of which 135 crores is the share of the Punjab, 124 crores United Provinces, 150 crores Madras, 100 crores Bengal, and 155 crores Bihar and Orissa. These estimates relate to the year 1929. Since then, prices having fallen, the burden of indebtedness has grown heavier.

Co-operative credit societies exist in every Province and are doing useful work, but co-operation has so far only touched the fringe of the problem of indebtedness.

What the peasant earns and how he lives determine his reaction to disease. There was a rapid increase of numbers in the last decade (1921-31). It is probable that in the decade which commenced in 1931 the growth of numbers will be cut short by widespread epidemics. The decade has commenced badly, the disease-resisting power of the population having been seriously weakened by the fall in agricultural income.

Indescribably bad as the present position of the peasant is, it is easy to predict that it will grow worse as generation succeeds generation, unless radical remedies are applied.

Agricultural reform, from the point of view of the peasant, consists, first, in securing to him the fruits of his labour, and second, in the adoption of scientific methods of cultivation with power-driven machinery.

Land nationalisation will at once more than

double the net income of the peasant, and it offers the only hope of rationalising the methods of cultivation.

But land nationalisation alone will not solve the problem of Indian agriculture. Agricultural reform is dependent on industrial development, paradoxical as the statement may seem. An attempt must be made to reduce the numbers supported by agriculture. This can be done only by consistently and steadfastly following a policy of rapid industrialisation. The growing pressure of population on the soil cannot be relieved either by emigration or the development of cottage or rural industries. The Indian Agricultural Commission, after a careful examination of the question, reached the conclusion that "the possibilities of improving the condition of the rural population by the establishment of rural industries are extremely limited."<sup>1</sup> Emigration outside the limits of India is of little importance.

Ours is an unbalanced economy. The position in this respect is generally the same as it was when the Famine Commission of 1880 reported that the numbers dependent on agriculture were greatly in excess of what was really required for the thorough cultivation of the land.

Finally, our experience during the past three years suggests that the existing system in which

<sup>1</sup> *Report of the Indian Agricultural Commission*, 1928, pp. 574-76.

we are part of the world economy and exposed to forces which we are unable to control, is, perhaps, not an unmixed blessing. A system of State control and regulation would be more desirable as a safeguard against cataclysmic changes in the economic world. Breaking away from the world economy does not mean cessation of exports and imports. But it implies control of production, foreign trade, and prices, and a certain measure of economic independence. The economic position of India as a grower of food-stuffs and raw materials is a strong one, and a self-governing India could attempt to become self-sufficient in a high degree with much hope of success.

## 2. THE LABOURER

*By* B. SHIVA RAO

INEFFICIENT, illiterate, and very difficult to train ; living in squalor and with a high infantile mortality and epidemics as the only merciful check on the unrestricted growth of population ; indebted to the local money-lender, with no hope of ever being out of his clutches—such is the unattractive picture of the typical Indian labourer often drawn by the foreign visitor who goes round factories and mills in different parts of the country and writes a report in the honest belief that it represents a faithful picture of Indian labour.

But facts do not always sum up the whole truth, and in India it is dangerous to generalise. I have been in intimate contact with labour for fifteen years in Southern India, and realise how little I know about its problems. Of course, I have gathered a vast amount of experience, some pleasant, more of the opposite variety—but all interesting, even fascinating ; but it is like hewing one's way through a tropical jungle, with only occasional glimpses of the direction one is taking.

One thing, however, I do know : there is

magnificent material in the Indian masses. As a stranger, I have gone among a group of workers, perhaps in a textile mill, many hundreds of miles away from my home. I speak to them of their right of organisation and other powers conferred on them by law, of the advantage of having a trade union. Have they heard of the Trades Union Act passed by the Government of India in 1926, under which they can register their union? No, comes the answer in a chorus of voices. Do they know there is a Workmen's Compensation Act, passed in 1925, which gives them compensation for accidents? Again, no. Are there any in the audience who have lost a limb or an eye; has there been any case of a fatal accident in the factory? Yes, a dozen hands go up: "I lost my left arm. I do not remember the year, but there was a storm at that time, and my fourth child was just born then." The others help in the calculation, and the date is fixed—September 1928. Then a second instance, of loss of three fingers, and a third, of an eye—and the list lengthens. Any compensation paid? Yes, when so and so died in the factory last year, his widow was given the funeral expenses; but in other cases, no.

Then we form the union. A committee is formed on the spot, someone is elected president, rules are framed, and an application goes to the Registrar of Trade Unions for



registration. Subscriptions come in with astonishing promptness. Then begins the trouble. The first effects of a union are felt by the "jobbers" and the *maistries* who do the recruiting for the factory and are practically responsible for promotions, grant of leave, etc. ; there is a regular schedule in each establishment, Rs.5 perhaps for recruitment (often very much more, the amount depending on the wages for the particular job), Rs.2 for leave and so on. As soon as a union is formed, these rates go down, and there is friction. At Madura, I remember, during a lock-out in 1931, the employer sent his agent to persuade the workers to give up the union and return to the mill ; the workers said no, and explained : " Before the union was started, we paid Rs.5 for being taken on, now we pay only Rs.2—and that, too, not always."

A union frequently means trouble—either a strike or a lock-out. But the men hold on with extraordinary tenacity and for incredibly long periods. I have seen strikes and lock-outs drag on for three, four, even five months. How the workers can maintain themselves and their families for all that time, without anything to fall back upon, with no earnings, no supplies or credit from the usual sources, namely the small shop-keeper, is beyond my comprehension. Some precautions are taken at the commencement of a dispute ; expenditure on drink,

generally a heavy item, is severely cut down, food is reduced to the barest minimum—a single meal of boiled rice—and temporary work is found for a few. But no one can fully explain the invisible resources on which the workers draw during a dispute. The employer watches their growing privations ; he has his spies everywhere, and they bring definite news that the workers cannot hold out for more than three days ; the police, especially in the smaller towns, render invaluable assistance by intimidation and coercion, by compelling shop-keepers to withhold credit and in other ways. So he waits—for the workers to return to work ; but he has to wait many weeks, and even then, perhaps, seek police aid of a more drastic character before the dispute is officially reported to be over.

Does the Government not intervene, one may ask, to prevent a dispute, or, at any rate, to settle one ? There is the Trades Disputes Act with elaborate machinery for arbitration and conciliation—on paper. The rules are so complicated that before a union can satisfy them, many weeks must elapse ; and I have not yet known a single union in South India (or elsewhere, in recent years) which has succeeded in the attempt. There have been some big industrial disputes involving many thousands of men and women, and cessation of work for ten to twelve weeks. But the Government



“watches developments,” and is content with that, for all outward appearances ; the only action taken is to send police reserves to strengthen the local force for emergencies. If the strike is embarrassing to the employer, hits him hard, then, of course, the official machinery works quickly—not to settle the strike on the merits of the dispute, but to harass, arrest, and to imprison, if the need should arise, “the ringleaders” and the “agitators.”

Every organiser of a trade union in India is an “agitator,” and “a fomentor of mischief.” “I have no objection to a properly constituted union,” an employer will tell you. His definition of such a union is that there should be no outsiders in the executive. The law no doubt allows it ; under the Trades Union Act, half the number may be outsiders, the provision being in recognition of the illiteracy and the helplessness of the workers. But an employer is not bound to have dealings with such a union, or with any union, even if it be registered under the law. A union with outsiders is tainted, and deserves no notice. But let one be formed with only workers in it ; sooner or later, the members of the executive find themselves one by one out of work ; never, of course, will it be admitted, because they are active in promoting the union—but it happens every time.

The amazing thing to me is that the workers continue to be members of a union in spite of

the hostility of the employer and his spies. I am connected with unions every member of whose executives has been sent out ; but that seems to make singularly little difference. We hold our public meetings of the workers in such places after dark, so as to make the task of identification of the members of the audience as difficult as possible for the agents of the employer. The only light is the dim lantern of the official police reporter without whom no workers' meeting in India ever takes place. Every word that is spoken is taken down and reported to the higher authorities. In the smaller towns the Inspector of Police, in full uniform, with a few constables, will make an ostentatious display of his presence. It has its effect, even if no hint is passed, and many of the workers think it prudent to withdraw ; but there are always a few zealous men in service who quite plainly indicate their disapproval of such things as trade unions. How can it be otherwise ? Officials are under obligation to the employers ; they meet them in their clubs. In the smaller towns, they are thankful for the use of the employer's motor-car and for a comfortable night in his modernised villa. When there is a strike, the Police Superintendent of the District, especially if he is a European, drives straight to the manager's house and discusses with him, at his lunch, the rights and wrongs of the strike. " Before so and so

came and talked to my men, there never was any trouble ; life is just impossible now." The official mind is promptly made up, a report goes to the headquarters that all the mischief is due to the speeches of one individual ; the strike must run its course, and the workers—one is very sorry for them—but they must learn a lesson through starvation and suffering : the police are there for all emergencies, and headquarters need not worry.

How often have I not been through such experiences ! It is terrible and nerve-racking to see a strike or a lock-out through. In all my fifteen years of Labour work in India, I have deliberately counselled a strike in one solitary instance. The odds are generally too heavy against the workers for even a remote chance of success. If they are beaten in a strike, and it was one into which they had plunged without outside advice, the later reactions are not so bad ; the " ringleaders " are, of course, dismissed, and the employer's authority is asserted in unpleasant fashion. But a sense of class solidarity and of discipline emerges during the dispute which is a fine foundation to build upon, and the losses are more or less overlooked.

Often a union comes into existence during a strike. Suddenly, and with no previous warning, a telegram arrives, " On strike, start immediately." I go, and am greeted by a large crowd of good-tempered men and women.

Business can come later : first garlands, then a procession—one would think it is a holiday. So it is, at the beginning of a strike. They have such implicit faith in the “ leader ” who has arrived : he will see to everything being set right. Ultimately we get to business. I make them all sit on the earth, under a shady tree, and open the proceedings. It does not take one more than half an hour to know all there is to know through whispers and odd bits of conversation—almost invariably it is heavy fines, bad treatment, no sick leave, no increase in wages, and so on. No one will get up and say these things ; if he did, he would be a marked man, a “ ringleader,” to be dismissed after the strike is over. The police, of course, must be there, in uniform and in plain clothes. The formation of a union is decided upon, and the next thing to do is to get into touch with the employer. If the strike is seriously embarrassing to him, he would agree to see me, after a preliminary show of resentment, either in the factory or at the police station. More often the answer is a curt and brief note : “ I prefer to deal with my men direct, and desire no outside assistance.” Then police pressure begins to be felt. If I am enjoying anyone’s hospitality (usually a poor man who is anxious to do his bit for the workers), a hint is conveyed to him that, unless he gets rid of his guest, there will be trouble ; and that is sufficient. Complaint is

absolutely useless. The higher authorities will, of course, make an enquiry, or at least say so. After two or three months, you will get a typed letter from the Government that "on enquiry, it has been found that your allegation is without foundation." The official in India, one must remember, to avoid disappointment, never goes wrong; occasionally there may be "errors of judgment," even sad ones, as when lives are lost, but that is the worst he is capable of doing—in his own opinion.

Only once did an official obviously exceed his authority. The episode is worth recording as an extremely good illustration of official methods, and the working of the official mind in relation to labour. The Royal Commission on Labour (called the Whitley Commission, after its Chairman) was on a visit to South India three years ago. I was invited to be a temporary member during its stay in this part of the country, and accompany a Sub-Committee to Madura, the second biggest city in South India and an important textile centre. Now, in Madura, I had started, a few months previously, a trade union, and this disturbed the English employer's peace of mind. The train conveying the members of the Commission's Sub-Committee (including myself) arrived at Madura in the evening and was met by the local officials, most of them Englishmen, looking anxious and worried. The Chairman,

Sir Victor Sassoon, a leading mill-owner in Bombay, was taken into confidence : " there might be a strike at any moment in Madura ; we have been sitting on the edge of a volcano ever since *that* man [myself] started a union." Sir Victor was puzzled, and came to me for advice. Would there be a strike ? I did not think so, but would enquire and tell him in five minutes. Outside, in the station yard, were about two thousand workers who had come with garlands to greet me—what the official would call " a mob." I thanked them for the garlands, but had no time for a speech. Only one question I would put to them : were they thinking of a strike ? No, not unless I wanted one, was the answer. Would they guarantee that ? Yes. With that assurance, I went back to Sir Victor and said there would be no strike. When the time came for the examination of witnesses on the following day, the first was the English employer whose peace of mind I had so terribly disturbed by starting a union for his workers. My turn to put questions came last. I had not completed my first sentence when he turned to Sir Victor and said he declined to be examined by me. It was a tense moment : Sir Victor stood up (as did the rest of us), and said that every one of his colleagues (all Europeans) deeply resented the insult to one of them. That particular incident closed with a report to Mr. Whitley.



In the afternoon came the District Magistrate for evidence. He was an Englishman, and had recently come to that District. Orders had been passed in the city of Madura on the Secretary of the Textile Workers' Union, prohibiting him from convening a meeting of the union. He appealed, and was willing to give an assurance that nothing would be said or done at the meeting beyond explaining the *questionnaire* of the Royal Commission, and eliciting the answers from the workers as material to be placed before the Commission. But so much perturbed was this official "sitting on the edge of a volcano"—which did not actually burst for a whole year afterwards, and even then it was a lock-out, not a strike—a workers' meeting could not be held even to assist a Royal Commission!

I have said at the beginning of this chapter that in India it is dangerous to generalise, and must not fall into this error myself. Members of the Royal Commission told me at the end of their visit to South India that they had been practically all over India but not come across a Government so reactionary as Madras.<sup>1</sup> Two District Magistrates set the law in motion to prevent meetings being held to collect evidence for the Commission. I was invited to accompany it to the tea plantations, but apparently

<sup>1</sup> Cf. Montagu, *An Indian Diary*, p. 116: "The dead hand of the Government of India is over everything, blighting it. It is worse than anything, except the Government of Madras." Ibid., p. 121: "I am certain that the Government of Madras is an impossible institution."—EDITORS.



a high-placed Government official disapproved of the step ; I was informed, almost on the last day, that I was not wanted and resigned immediately in protest, holding that a Royal Commission had full and unquestionable authority and was under no obligation to obey a Provincial Government.

The Royal Commission's Report, admirable as it is in many respects, is silent on this important aspect of Labour problems in India. The full strength of the Government, from the highest official to the village policeman, is behind the employer. No language can adequately describe the full implications of this policy ; only with the wonderful morale of the Indian workers is it possible to have even such organisation as we possess. To watch an industrial dispute, and to guide it, is a heavy and painful responsibility. For the first two weeks, all is more or less well ; but as the dispute goes on, with no sign of ending, anxiety begins to reveal itself on the faces of the workers. At the end of four weeks, privations become acute, but no one will dare to suggest a return to work. There are, of course, no relief funds worth the name, and employers' spies and police informers are everywhere, prying into everything. But the workers' determination to hold on overbears all other considerations. What unsuspected reserves of moral strength the Indian workers have, the women as much

as the men, one realises in these crises. It is impossible not to feel a profound respect for such fine traits of character, to wonder why, if human nature be really frail, it does not break down under an intolerable strain.

One may feel puzzled, on first thoughts, why fifteen years of organisation in India have achieved so little of positive result. The railway workers are the best organised on the whole ; several of the railways have strong unions welded together into a national federation which meets the Government of India's Railway Board twice in a year to discuss workers' problems. Next to railways, the textile industry has a fairly good organisation ; but there is as yet no federation on a national basis. Then there are unions for tramway workers, jute workers, in the colliery areas, municipal workers, and so on. The postal and telegraph employees have their own organisations, strong but separate from those of the industrial workers. Several unions spring into existence on the eve of, or during, a strike, and practically cease functioning after the crisis is over. Others, again, exist on paper, to enable some "leaders" to secure votes for election to a public body or nomination to the delegation which is sent every year to the International Labour Conference at Geneva. On a generous estimate, and taking genuine unions alone into account, probably not more than five per

cent of the industrial factory workers are organised.

This is, undoubtedly, a small number ; and it is well to emphasise how little of the total working-class population it represents. India is essentially an agricultural country, with over 72 per cent of the population dependent on agriculture. Organisation has barely touched the peasant, except in the United Provinces under the leadership of Pandit Jawaharlal Nehru.

Even the workers on the plantations—tea, coffee, and rubber—are inaccessible to the organisers of Labour. One gets long and lurid accounts, which read authentic, from men at work in such estates—of no weekly holiday, the lack of medical amenities, the rascality of the *Kangani* (the recruiting agent), and the varieties of fraud practised upon the ignorant worker—but it is difficult to verify them. To get at the workers, one must walk into plantations, which, of course, will not be permitted. The Royal Commission has made a number of recommendations in regard to the plantation workers, but they have come at a peculiarly difficult period when economic conditions are forcing some to the point of closing down.

Of the industrial workers, who form a small minority of the workers, there was, until the enquiry of the Royal Commission, hardly any accurate information as to the conditions of

those who work in the factories which are outside the range of Government inspection. We have a peculiarly narrow definition of a factory at present : power of some kind must be used, and there must be not less than twenty persons engaged in the factory. The consequence is that industries like carpet-making, cigarette (called *beedies* in India) factories, and tanneries escape application of the Factories' Act and the supervisory control of the inspection staff. I do not suggest that this amounts to very much ; inspection is extremely casual, the staff is utterly inadequate, and penalties for breaches of the law are ridiculously light. Nevertheless, there is pressure, however fitful and slight, in the right direction. The Royal Commission has suggested legislation to deal with the unorganised industries, but so far the Government has not indicated its intentions. Child labour is most shamefully misused, in the cigarette factories particularly, and there are, in many parts of India, revolting practices, such as the pledging of child labour in lieu of payment of debts.

Mention must be made of the conditions of labour in the Indian States, especially at a moment when their entry into the All-India Federation is under consideration. Conditions are not the same in these hundreds of States ; while those in enlightened States like Mysore approximate to those in British India, there are

areas, on the other hand, particularly in Central and Western India, where virtually forced labour exists. The question has been raised at Geneva whether All-India or only British India is a member of the League of Nations. The Peace Treaty was signed on behalf of India by the late Lord Sinha and H.H. the Maharaja of Bikaner. While a member of the princely order or a representative of the Indian States has been at sessions of the League almost every year, there has been no tangible proof of their acceptance of the Conventions of the International Labour Conference ratified by the Government of India. There is a growing disparity between conditions of labour in British India and in the Indian States, which must cause concern alike to employers and workers in British India.

It will be seen from the above account that the circle of definite influence of the trade union movement is extremely limited. Organisation has proceeded in the main centres of industry, and, strangely enough, among those who are, comparatively speaking, most protected by law. But it would be a mistake to assume that the movement has left untouched the other classes of workers mentioned in the preceding paragraphs. Ideas and aspirations spread far beyond the limits of a movement, and the general awakening among the masses in India has been phenomenal. The fact,

however, remains that the path of the organiser is strewn with difficulties. The police and the employers regard him with deep suspicion and hostility. The worker demands quick and continuous results. He must have something concrete, and something new every year, to renew his faith in the union. "I have paid subscriptions regularly every month for the last so many years, but what have I gained?" he asks. Wages have not risen, the hours of work have not been shortened, while, in many little ways, his position has worsened. To complicate matters further, there is being disseminated, by young men full of zeal and enthusiasm for the new gospel from Russia, teaching of a revolutionary character. Not to counsel a strike or some extreme form of action in every circumstance is "moderation"; not to denounce the capitalist at every turn is to be "an agent of British Imperialism."

These currents and cross-currents have played havoc with the central organisation. There was an All-India Trades Union Congress functioning promisingly for a few years. Then came the new doctrine from Russia, and very little happened at sessions of the Congress of any practical use to the workers. Wordy battles were waged as to international affiliations, and Congress was paralysed for effective action. The rupture came finally in 1929, over the attitude to be adopted towards the Royal



Commission on Labour, the Round Table Conference, and other questions affecting the interests of Labour. A new organisation was formed, the Indian Trades Union Federation, while the Railwaymen's Federation kept aloof from both Congress and the new federation. Since then, Congress has split into two rival factions, and the Railwaymen's Federation and the new federation have joined forces under the name of the National Trades Union Federation. The necessity for a central organisation has been felt for some time, especially in view of the changes in India's constitution, and the newly inaugurated federation should prove a rallying point for all trades unions.

The question has been asked by workers all over India, what will Self-Government mean to them? So far as the all-important question of franchise is concerned, there has undoubtedly been a considerable extension, though not to the extent demanded by Labour's representatives at the Round Table Conference. We asked for universal adult suffrage, abolition of communal electorates, a guarantee of certain fundamental rights for the workers, and the classification of Labour legislation as a federal subject with concurrent powers to the Provinces. We have been beaten all along the line. The franchise has been widened, but not adequately. The mischievous device of separate electorates for Hindus, Muslims, Christians,



etc. is to be perpetuated. For the workers, this means that they will not be allowed to exercise their votes solidly on an economic or a class basis. No guarantee seems to be forthcoming of the fundamental rights asked for. Lastly, the difficulties of a uniform code of Labour legislation for All-India will be increased a hundred-fold by failure to include Labour legislation in the list of federal subjects.

There is, unfortunately, in India far too little appreciation of the many imperative needs of the workers, both in official circles and among the educated classes. The recommendations of the Royal Commission on Labour, backed as they are by the support of employers' representatives thereon, should have been translated into legislation without the least delay. But some of the most important ones have been held up for want of funds, and, generally speaking, the Government is too pre-occupied with political changes to devote to Labour problems the attention they deserve.

Legislation alone will not, of course, prove the salvation of the workers, and in India there are peculiar limitations. For instance, though the Workmen's Compensation Act was passed in 1925, there are large numbers of workers who either are not aware of the fact or do not know how to utilise its provisions. And even when they do, what happens quite often? Two years ago, a worker came to me with some of the

fingers of his left hand smashed in a machine. He was a member of a union and sought our advice. Under the Act, he was entitled to about Rs.80 (a rupee being the equivalent of 1s. 6d.). The employer offered him Rs.15, but with a promise to keep him on at his job, and he accepted it. In many cases, workers prefer not to assert their full rights, because steady employment is better, especially in these times, than a sum of money which cannot last for more than a few months.

If I had the choice, I would concentrate all my attention on two main problems : education and health. To deal with an illiterate group of workers is, for lasting results, extremely unsatisfactory. To teach them sanitary habits and the importance of a proper diet, to impress upon them the need for a higher standard of living—all this and many other things would be far more easily achieved, and with a tenth of the present efforts, if they were not illiterate. It is very easy to condemn the Indian worker as being inefficient. But what can one expect from men and women who live on rice and lentils, as very many do, in little tenements of 10 feet by 8 feet, with hardly any ventilation, and cook and eat and sleep with their families in those terrible holes ? One may far more legitimately ask what the Government has done to prevent malaria, hookworm, tuberculosis, and venereal disease from lowering

the vitality of the workers and then killing them.

During the War, the Government of India appointed an Industrial Commission, which observed, in regard to Labour :

“ There is substantial agreement between the best-informed witnesses that the remedies for this state of affairs are a rise in the standard of comfort and an improvement in public health. These ends can be attained only by education, improved housing, and a general policy of betterment, in which an organisation for the care of public health must play a prominent part. If the children of workers are provided with education under tolerable conditions of life, a new generation of workers will grow up, who will learn to regard mill work as their fixed occupation. Better housing is a most urgent necessity, especially in the large congested industrial cities. Facilities for health, amusement, shorter hours of work (though a reduction of these may for a time decrease output), and other measures for economic betterment, such as cheap shops for the sale of articles required by the mill-hands, and co-operative societies, are almost equally important. The conditions under which industrial operatives live and work in this country ought, if efficiency be aimed at, to approximate, as

nearly as circumstances permit, to those of temperate climates. Continuous factory work in the tropics is, at certain seasons of the year, far more trying than similar work in northern countries. The needs of domestic sanitation in large towns are most pressing. The problem, not only on moral grounds, but also for economic reasons, must be solved with the least avoidable delay, if the existing and future industries of India are to hold their own against the ever-growing competition, which will be still fiercer after the War. No industrial edifice can be permanent, which is built on such unsound foundations as those afforded by Indian Labour under its present conditions."

There is also the resolution of the All-India Conference of Medical Research Workers, passed in 1924 and again in 1926, which affirmed :

" that the average number of deaths resulting every year from preventable disease is about five to six million ; that the average number of days lost to labour by each person in India, from preventable disease, is not less than a fortnight to three weeks in each year ; that the percentage loss of efficiency of the average person in India from preventable malnutrition and disease is not less

than 20 per cent ; and that the percentage of infants born in India who reach a wage-earning age is about 50, whereas it is quite possible to raise this percentage to 80 or 90. The Conference believes that these estimates are under-estimates rather than exaggerations, but, allowing for the greatest possible margin of error, it is absolutely certain that the wastage of life and efficiency which results from preventable disease costs India several hundred crores of rupees each year. Added to this is the great suffering which affects many millions of people every year.

“This Conference believes that it is possible to prevent a great proportion of this waste at a cost which is small in comparison with the expenditure.

“The recent census shows that the position in India is one of grave emergency. The Conference recognises that the problem is very complicated and involves not merely medical research, but also questions of public health, medical relief, medical education, propaganda, and social and economic considerations.

“The Conference believes that the greatest cause of poverty and financial stringency in India is loss of efficiency resulting from preventable disease, and, therefore, considers that lack of funds, far from being a reason

for postponing the enquiry, is a strong reason for immediate investigation of the question."

This resolution was quoted with approval by the Royal Commission on Agriculture in its official report.

It is not on blue books and reports and compilations that this chapter is based. To the student of Indian Labour problems, the report of the Royal Commission on Labour and the volumes of evidence on which it is based afford scope for comprehensive study. I have preferred to write from personal knowledge and experience. Often have I asked myself : What has the future in store for the Indian workers ? To speculate in such matters is rash, but one can note certain tendencies. The workers are incomparably more vocal than they were a decade ago, and they have been astonishingly quick to see the value of organisation and mass action. They have seen methods used by the Indian Nationalists against an alien Government which have proved extremely embarrassing. Are they likely to forget them when an Indian Government, composed in all likelihood of landlords and employers and princes' representatives, takes the place of the British ? Promises have been made to them of a number of reforms—compulsory education, housing schemes, maternity relief, old-age pensions, unemployment benefits, etc. Is the National



Government in India of the future going to tax the propertied classes so as to find money for all these reforms? These are inevitable questions which suggest fairly obvious answers.

The discussions in India are all about the measure of Self-Government that will be conferred on her. But even if it were full, will it see the end of troubles in this country? I hold that it will be but the beginning of fresh difficulty—not indeed between religious communities—but between economic classes. Indian Nationalists may ultimately settle their differences with British Imperialists by the methods of negotiation. But their own day of reckoning will swiftly follow the establishment of Self-Government in India, unless they have ready for execution a far-reaching programme for the emancipation of the workers.



### 3. THE MANUFACTURER

*By* DR. P. P. PILLAI

IN SPITE of the reputation which India has enjoyed from the beginnings of history for her skill in arts and crafts, it will have to be admitted that she has not till now been able to avail herself in satisfactory measure of her vast industrial potentialities. In the same way as Egypt has been "the gift of the Nile" has India been dependent upon her river systems, principally those of the Indus and the Ganges, for the sustenance of her teeming millions. The tropical fertility of the country pointed to agriculture as the occupation destined for her people by a bounteous nature ; and even though the impact of new conditions and circumstances has been responsible in some degree for the development of those elementary industries which were needed to satisfy the rudimentary demands not only of her material but also of her artistic and cultural necessities, agriculture has been and will continue to remain the predominant interest of her population. A glance at the occupational statistics collected in the Indian Census Report of 1921 is sufficient to bring out in startling relief the

undue dependence of the people on agriculture, and the scanty attention that they have been paying to the development of industries. Out of every 100 of her population, India gives 72.98 to agriculture and pasture, 10.49 to industry, 5.73 to trade, 1.37 to transport, 1.59 to the learned professions, 1.53 to Government service and 1.45 to domestic service. According to these figures, then, the manufacturer is the representative of a small minority group in the country.

These percentages, however, do not help one to visualise with clarity the extremely primitive character of the general functional distribution of the population. It may, therefore, be worth while to reproduce the Occupational Table given in the Indian Census Report of 1911 which shows the number per 10,000 of the population who were supported by the simple occupations commonly followed in every village, and which, taken together, meet all the ordinary requirements of village life.

In 1911, industrial occupations supported a little over 11 per cent of the total population, while the percentage for 1921, as we have seen, was 10.49. There is, however, reason to believe that these figures cannot be accepted as strictly accurate. For one thing, there is the confusion caused by the caste system under which a man belonging to, say, the weaver caste, will be returned as a weaver even though the profession

Occupations in 1911	No. per 10,000 of total population
Landlords and tenants . . . . .	5,606
Agricultural labourers . . . . .	1,316
General labourers . . . . .	287
Stock-owners, milkmen and herdsmen . . . . .	164
Cotton-workers . . . . .	207
Blacksmiths . . . . .	44
Brass, copper and bell-metal workers . . . . .	9
Carpenters and woodcutters . . . . .	99
Fishermen, boatmen, and <i>pailki</i> bearers . . . . .	113
Oil-pressers . . . . .	37
Barbers . . . . .	68
Washermen . . . . .	68
Toddy-drawers . . . . .	20
Grain-huskers and parchers . . . . .	68
Leather workers . . . . .	90
Basket makers, leather workers, and drummers . . . . .	107
Priests . . . . .	64
Potters . . . . .	63
Mendicants . . . . .	128
Cartmen and pack-animal drivers . . . . .	47
Village quacks and midwives . . . . .	6
Goldsmiths . . . . .	57
Grocers and confectioners . . . . .	119
Grain-dealers and money-lenders . . . . .	109
Village watchmen and other officials . . . . .	64
Vegetable and fruit sellers . . . . .	51
Makers and sellers of bangles . . . . .	18
	<hr/>
	9,029

which he follows may be quite different. There is an amusing instance in one of the census reports of a well-to-do gentleman, a barber by caste, but a prosperous money-lender by profession, being returned as a barber by occupation, though he had never in his life plied the razor for hire ; and, in another case, it turned out that a man returned as an engineer by occupation was so classified because he was interested in " Auction Bridge." In the second place, the occupation shown in the returns is that followed by an individual on the date of the enumeration, whereas it is well known that occupations vary from season to season with the same individual, who may at one time be a hired labourer, at another a small-holder cultivating his own plot, and, at a third, a village handicraftsman engaged in his own industry. It may safely be asserted that the artisans forming part of the village community, such as the carpenter, the blacksmith, the potter and the oil-presser, all combine some form of agriculture with their own special occupations, though it would not be wrong to assume that the census returns take notice only of the principal occupation and not of the subsidiary means of livelihood.

This occupational pluralism, which is a characteristic feature of economic India, makes it difficult to postulate with any degree of certainty whether the numbers employed in

rural industries and handicrafts have risen or fallen. But the broad inference stands out that since agriculture yet remains the principal occupation of the country and there are no visible signs that the rural industries have shown any marked expansion, the numbers engaged solely in the various village handicrafts, which in most cases are complementary to agriculture, could not have increased to any appreciable extent.

We may here consider the conditions of work of those engaged in these unorganised village industries. Till the introduction of railways, the Indian village continued to retain its primitive character in that it possessed almost all the elements needed for a complete community life. The various census reports point out how each village was provided with a complete equipment of artisans and menials, so that, until the recent introduction of the few Western commodities which have now entered the villager's household, it was almost wholly self-sufficing and independent. Its *chamars* (leather workers) skinned the dead cattle, cured their hides, and made for the villagers their sandals. Local carpenters made their ploughs, local blacksmiths their shares, local potters their utensils for cooking and carrying water, local weavers their cotton clothing, and local oil-pressers their oil for cooking and lighting. Where this

system was fully developed, the duties and scales of remuneration of each group of artisans were fixed by local custom, while the caste rules prohibited inter-caste competition. In the absence of safe roads and outside markets, only as much as produced as would suffice to meet local wants. There was thus set up a vicious system of under-employment of the agents of production, and no effort was made to make the most of the labour and the natural resources available to them. Even though, with the development of communications and the opening of outside markets, the self-sufficing economy of the village has undergone some modifications, it nevertheless remains true that the essential needs of the village are still to a large extent satisfied by local production. The Indian Industrial Commission has observed how little the march of industry has affected the great bulk of the population, and how such changes as have been brought about in rural areas are the effects of economic rather than of industrial evolution. The influence of caste, under which no man may break the invidious bar imposed by his birth, as the determining factor in occupation, is waning before the rising spirit of individualism and enterprise. Greater mobility was imparted to the labourer and the handicraftsman with the development of markets outside their own village ; prices also rose with the

new demand, and this encouraged more production than was needed to satisfy the limited demands of the self-sufficing village. The break-up of the isolation of the village in the directions indicated above, though it has unquestionably been to India's economic advantage, has another aspect well worth considering. The development of communications, which was based more on the policy of encouraging imports into India than of encouraging exports from the country, brought factory-produced commodities to the very door of the villager, with the result that the simple cottage industries of the country were faced with the unequal competition of the cheaper imported goods, and thus received a terrible shock which, in many cases, they have not been able to survive. An enquiry into the conditions of Indian trade between 1850 and 1880 shows that, during the period, a great displacement of trade has been brought about, as a result of which profits had been diverted from Indian to English pockets. Indian consumers, as a class, may have gained somewhat in the case of cotton goods by buying them in a cheaper market, but so far as the importation of foreign goods led to the displacement of Indian labour, which was thrown back on the soil and had in times of scarcity to be supported by Government out of taxation, there was a serious set-off against the gains accruing from



buying on easier terms from a foreign market. If the persons thrown out of work by foreign competition could have been absorbed in new industries, it would have been easier to make the readjustment needed to meet the new conditions. But the sudden impact of the new order of things on the placid and easy-going life of India produced disastrous results ; its internal economy was thrown out of gear, and the people had just then neither the knowledge nor the capital to evolve new types of industry suited to the altered times. The artisan had, therefore, to fall back on the land, and thus add to the disproportion between agriculture and industry in the country.

By the end of the nineteenth century the economic effects of the new system of transport and communications had asserted themselves, and thenceforward it began to be realised that factory-produced goods, whether made in India or abroad, had come to stay. The problem of encouraging the handicraftsman was to that extent simplified, for it was felt that the only economic way of accomplishing this was to put the indigenous industry, both urban and rural, on a commercial basis, and to reorganise on sound lines those ancient arts and crafts which were the least affected by the inflow of factory goods. With this object in view, many enquiries were made into the conditions of work of the handicraftsman, and

attempts were made to adapt him and his processes to the changed necessities and circumstances. As the Industrial Commission observes, "Their methods remain the same, but, in some instances, they now work with superior raw materials, and in others with better tools. The weaver has taken to mill yarn, the dyer to synthetic dyes, the brass- and copper-smith to sheet metal, the black-smith to iron rolled into convenient sections, in each case, with advantage to himself from the lessened cost of production which has greatly extended his market. In some districts in Lower Bengal, the weavers use the fly-shuttle exclusively, and they have recently adopted it in large numbers in the coast districts of the Madras Presidency, while it is also gradually coming into use elsewhere. The tailors invariably employ sewing-machines, and town artisans readily take to improved tools of European or American manufacture." Even to-day in such industries as handloom-weaving, carpentry, shoemaking, pottery, oil-pressing, metal work, etc., the production of the village workers approaches and in some cases out-distances the total output of their town competitors. Their intimate acquaintance with the tastes and desires of their would-be customers enables them to satisfy the exact wants of the market, and, in the case of weaving, the great degree of resistance that

has been offered by the hand-loom to the aggressions of the factory is attributable to "the great number of specialised types of cloth of which slow-moving Indian custom decrees the use ; to the fact that the demand for many of these is on so small a scale, while the types themselves are so special, as to render it difficult for the power-loom to produce them at a profit ; to the faithfulness of the weavers as a caste to their hereditary trade, and their unwillingness, especially in the small towns, to take up factory work, and, to a less extent, to the money locked up—on a vicious system, it is true—in the financing of the weaver by his patron and incubus—the money-lending cloth merchant."

The main defects inherent in the system under which Indian cottage industries are run are imperfect division of labour, reluctance to utilise improved tools, methods and processes, bad financing, which places it under the control of the money-lender-cum-entrepreneur, the absence on commercial organisations to place the output of the market, and, lastly, the inherent conservatism and lack of ambition of the artisan himself. The Industrial Commission pointed out that, while there was no likelihood of cottage industries becoming extinct, improvement was not possible unless better tools and plant were employed and an intelligent sub-division of industrial processes introduced.

Several official and unofficial agencies have now taken up the matter and already there is a movement, not only towards modernising the technique and output of handicraft production, but also towards the formation of small factories. As regards finance and marketing, co-operative credit and sales societies have in many places been started among small urban artisans working in communities, and, though it is not possible to say that the co-operative principle as applied in the present way to the development of handicrafts has proved much of a success, it is undeniable that no easier solution for the financial and marketing defects of handicraft production can be found than in an extension of that principle. Partly on account of these efforts at improvement, and partly owing to the interest which India is evincing in all rural welfare schemes, cottage industries have certainly received a great stimulus during the last twenty years ; and, in this connection, a reference must be made to the influence of Mahatma Gandhi. Whatever may be his views about industrialisation and large-scale production on Western lines, his insistence on the *Charka*, the symbol of Indian cottage industries, has been responsible not only for the revival of hand-spinning, which had almost become moribund, but also for the resuscitation and strengthening of a great many other village handicrafts.

Coupled with the compelling appeal of this message, is the new-born spirit which animates economic *swadeshism*, and its organisational manifestations like the Buy Indian League. In the result, the products of the Indian handicraftsmen have once more become fashionable, the demand for them is steadily on the increase, and it may confidently be hoped that Indian public opinion, now that it has realised the economic significance of handicrafts as providing work for multitudes during periods of enforced idleness, will not willingly let them die.

It has already been pointed out that one of the reasons for the decline of Indian handicrafts—a process which has now been arrested to some extent—was the emergence of factories. The factory system grew up in India from about the middle of the last century, but it was not until the beginning of this century that it was able to make up for the loss caused by the decline of handicrafts. The small place that large-scale production still occupies in the Indian economic system is borne out by the fewness of Indian towns and the small proportion of the urban population. Dr. Clapham has stated that “the best general test of the industrialisation of a nation’s life under modern conditions is the rate and character of the growth of its towns.” It is true that we have had some big towns in Moghul days; but

despite Delhi and Agra, Vijayanagar and Murshidabad—in Clive's opinion the latter town was in his days more populous than London—there was then no general tendency on the part of the population to dwell together in towns. The great Moghul capital itself, according to Bernier, was “no more than a collection of villages, a camp of an army, a little better and more commodiously placed than in the field,” and shrank to less than a sixth of its population when the Emperor was not in residence. To-day, though India has many ancient and historic cities, the town-dwellers form only a tiny fraction of her enormous population. Even reckoning places with 5,000 or more inhabitants, which are really overgrown villages, as towns, only 9.4 per cent of the population in 1911 and 10.2 per cent in 1921 were town-dwellers. In a highly industrialised country like England, the proportion to-day would be about 80 living in urban areas to 20 in rural areas. A remarkable feature of the growth of urbanisation in India has been the development of the larger industrial towns at the expense of the smaller urban areas where industry has not gained a strong foothold. It would be difficult to attribute the large populations of cities like Calcutta and Bombay exclusively to the growing industrialisation. But we can point out at least one outstanding example of the influence



of industrialisation on urbanisation ; the growth and development of Jamshedpur, which, from an obscure Santali village of almost 6,000 people in 1911, has now risen to be a flourishing and well-laid-out industrial town with a population of about 10 times the 1911 figure, is one of the marvels of industrial achievement in modern India ; and Jamshedpur heralds the coming change.

It was not so much the decline of village handicrafts as the realisation of the political and economic handicaps incidental to an industrially backward India that attracted to the entire problem the attention of the leaders of Indian thought. With the rise of national feeling in India came a desire on the part of her sons to lift her to a place among the nations befitting her teeming population and vast industrial resources. From political *swadeshism* to economic *swadeshism* was an easy transition, and, as Ranade has pointed out, attention was soon concentrated upon the formidable domination which the manufacturing capital and enterprise of Great Britain exercised over India. Alongside with this, and in close conjunction with it, had to be considered the grim poverty of India and the rapid rate in the increase of her population. The questions that were vaguely present in the minds of India's leaders thus began to assume an objective form. What steps should be taken to assure the



material conditions of a civilised life, not only for the existing Indian population, but also for the millions who are being rapidly added to it? How can India's economic resources be so handled as to relieve the people from the pressure of poverty and set them on the road to material and moral progress? Indian opinion has come to the conclusion that it is only by the adoption of a policy of rapid industrialisation that the whole problem could be solved. That already, under the blind impulse of economic necessity, India has been taking to increased manufacture is evident from the import and export trade returns. The trade statistics clearly reveal that from 1892 to 1907 the import of manufactured goods rose from 362 million rupees to 699 million rupees, and of raw materials from 264 million rupees to 600 million rupees ; while the exports of manufactured articles rose from 164 million rupees to 393 million rupees, and of raw materials from 855 million rupees to 1,141 million rupees. The tendency towards India's transition from a purely agricultural stage to the stage of manufactures which these figures indicate receives corroborative support from later statistics. According to the official Review of the Trade of India, the value of the Indian imports and exports of raw materials and articles wholly or mainly manufactured is shown in the following table :

*(Figures in millions of rupees.)*

	Pre-war average 1909-10 to 1913-14	War average 1914-15 to 1918-19	Post-war average 1919-20 to 1923-24	1927-28	1928-29
<i>Imports</i>					
Raw materials .	100.8	98.7	190.1	255.8	255.2
Articles wholly or mainly manufactured	1170.9	1082.4	1925.5	1826.4	1803.0
<i>Exports</i>					
Raw materials .	1046.6	864.1	1459.1	1443.4	1702.7
Articles wholly or mainly manufactured	506.1	684.4	779.6	875.7	895.9

The depression set in from 1929, and the later figures are therefore left out.

A large part of the increase in the import of manufactured articles goes to raising the standard of comfort in the country, while a considerable fraction of it represents machinery for the erection of plants and factories in India. The figures which are most significant in this table are those showing the import of raw materials and the export of manufactured articles. The import of raw materials rose from Rs.100.8 millions in the pre-war quinquennium to Rs.255.2 millions in 1928-29, and a good many of the items imported, such as hides and skins, metallic ores, paper-making materials, and raw and waste textile materials, have all been converted into manufactured products in the country. The export of manufactured products, which rose from Rs.506.1 millions in the period 1909-10 to 1913-14 to

Rs.895.9 millions in 1928-29, is a direct measure of the increasing manufacturing activities of India during the last twenty years. Other indications regarding the rate of India's manufacturing progress are furnished by the following figures. The number of cotton mills rose from 269 in 1917-18 to 306 in 1926-27, and the capital invested in the industry has been more than doubled ; jute mills have increased from 76 to 93, and woollen mills from 6 to 18, in the same period. The number of factories of all kinds in British India rose from 3,523 in 1919 to 7,515 in 1927, and the factory population increased from 1.3 millions to 1.5 millions during the same period. Coal production rose from 8.4 million tons in 1905-06 to 22.6 million tons in 1919-20. And, in view of this rapid expansion of her manufacturing and industrial activities, India's claim to recognition as one of the eight States of "chief industrial importance" has been upheld by the Council of the League of Nations.

Even more imposing than the array of figures cited above is the statement given below of the large industrial establishments in India at the end of 1929. It includes all factories which come under the operation of the Indian Factories Act, and also those establishments in Indian States which are considered to be of sufficient industrial importance, so far as it has been able to procure information ; but mines

and factories, not coming under the Factories Act, are excluded from it. Thus, though it does not represent a complete list of organised industrial establishments in India, it can, none the less, be taken as a safe guide to the extent and amplitude of industrial activity in the country :

	No. of industrial establishments	No. of persons employed
<i>Textiles :</i>		
Clothing . . . . .	5	1,535
Cotton (spinning, weaving and other) factories . . . . .	341	387,158
Hosiery . . . . .	39	2,946
Jute Mills . . . . .	96	348,982
Silk mills (including filatures) . . . . .	19	4,980
Woollen carpet- and shawl-weaving establishments . . . . .	11	3,045
Woollen mills . . . . .	16	7,391
Miscellaneous . . . . .	43	3,379
<i>Total</i> . . . . .	<u>570</u>	<u>759,416</u>

<i>Engineering :</i>		
Coachbuilding and motor-car repairing . . . . .	98	8,532
Dockyards . . . . .	11	6,670
Electrical Engineering . . . . .	44	7,004
Electrical generating and transforming stations . . . . .	52	7,368
General engineering . . . . .	272	49,294
Kerosene tinning and packing . . . . .	29	10,991
Metal stamping . . . . .	35	4,283
Railway workshops . . . . .	147	142,048
Shipbuilding and engineering . . . . .	19	24,434
Steel trunk, lock, and cutlery . . . . .	9	887
Tramway works . . . . .	8	2,752
Miscellaneous . . . . .	31	2,863
<i>Total</i> . . . . .	<u>755</u>	<u>267,126</u>

	No. of industrial establishments	No. of persons employed
<i>Minerals and Metals :</i>		
Foundries . . . . .	53	3,650
Iron and steel smelting and steel rolling mills . . . . .	6	36,590
Lead smelting and lead rolling mills . . . . .	6	4,347
Copper smelting and copper rolling mills . . . . .	1	528
Mica works . . . . .	2	165
Petroleum refineries (including oil- pumping stations) . . . . .	13	12,078
Miscellaneous . . . . .	37	2,888
<i>Total</i> . . . . .	<u>118</u>	<u>60,246</u>

<i>Food, Drink and Tobacco :</i>		
Bakeries, biscuit, and confectionery . . . . .	19	1,376
Breweries and distilleries . . . . .	37	2,740
Coffee works . . . . .	16	3,466
Dairy produce . . . . .	4	221
Flour mills . . . . .	79	6,054
Ice and aerated waters . . . . .	51	2,892
Rice mills . . . . .	1,320	73,896
Sugar factories . . . . .	44	15,069
Tea factories . . . . .	885	62,339
Tobacco factories . . . . .	18	10,713
Water-pumping stations . . . . .	25	2,876
Miscellaneous . . . . .	200	7,654
<i>Total</i> . . . . .	<u>2,698</u>	<u>189,296</u>

<i>Chemicals, etc. :</i>		
Bone and Manures . . . . .	23	3,850
Chemicals . . . . .	13	3,186
Dyeing and bleaching . . . . .	37	5,530
Gas works . . . . .	17	1,961
Indigo . . . . .	20	1,249
Lac . . . . .	22	2,121
Matches . . . . .	48	17,010
Oil mills . . . . .	243	14,173
Paints . . . . .	9	1,628
Soaps . . . . .	10	842
Turpentine and rosin . . . . .	4	1,896
Miscellaneous . . . . .	23	2,680
<i>Total</i> . . . . .	<u>469</u>	<u>56,126</u>

	No. of industrial establishments	No. of persons employed
<i>Paper and Printing :</i>		
Paper mills . . . . .	8	5,742
Paper pulp . . . . .	2	1,109
Printing, bookbinding, etc. . . . .	363	40,644
Miscellaneous . . . . .	6	265
<i>Total</i> . . . . .	<u>379</u>	<u>47,760</u>

<i>Processes relating to Wood, Stone, and Glass :</i>		
Bricks and tiles (including <i>surki</i> mills) . . . . .	125	14,634
Carpentry and cabinet-making . . . . .	37	4,091
Cement, lime, and potteries . . . . .	30	11,359
Glass factories . . . . .	20	2,604
Saw mills . . . . .	191	17,602
Stone dressing . . . . .	17	6,048
Miscellaneous . . . . .	37	15,080
<i>Total</i> . . . . .	<u>457</u>	<u>71,418</u>

<i>Processes connected with Skins and Hides :</i>		
Leather and shoes . . . . .	14	3,006
Tanneries . . . . .	45	4,915
Miscellaneous . . . . .	18	1,560
<i>Total</i> . . . . .	<u>77</u>	<u>9,481</u>

<i>Gins and Presses :</i>		
Cotton ginning and baling . . . . .	2,722	191,378
Jute presses . . . . .	116	37,287
Miscellaneous . . . . .	14	481
<i>Total</i> . . . . .	<u>2,852</u>	<u>229,146</u>



	No. of industrial establishments	No. of persons employed
<i>Miscellaneous :</i>		
Brushes . . . . .	2	344
Fodder . . . . .	10	418
Grain crushing . . . . .	4	278
Gramophone records . . . . .	1	1,013
Jewellery workshops . . . . .	11	771
Laundries . . . . .	7	425
Mints . . . . .	3	1,414
Ordnance factories . . . . .	24	22,193
Reeds and combs . . . . .	3	161
Repairs, etc. . . . .	3	118
Rope works . . . . .	41	18,532
Rubber goods . . . . .	12	2,214
Sappers' and miners' workshop . . . . .	1	45
Stores works . . . . .	2	152
Telegraph works . . . . .	2	1,287
Miscellaneous (not enumerated above)	47	3,480
<i>Total</i> . . . . .	173	52,845
<i>Grand Total</i> . . . . .	8,548	1,742,860

There is not the slightest doubt that, as evidence by these figures, India has taken rapid strides towards her goal of industrialisation, and the necessities of the War period of 1914-19 have effectively served to canalise and consolidate her industrial achievements. But we should not, however, permit ourselves to hug the illusion that India's industrial goal is already in sight. Any enthusiasm generated by the rapid development of Indian industry during the last twenty years will be checked and sobered when it is remembered that the development has been uneven and inadequate to the needs of the country and that the country has still left to other nations the main part in

the initiation, financing and management of most of her schemes for large-scale production. While admitting, therefore, that India has already registered phenomenal progress in her industrial undertakings during the last few years, it is difficult to escape the rather depressing conclusion that the rate of progress has not been commensurate with the size of the country, its population, and its natural resources. At the present day there are only three industries in India—cotton, jute, and coal mining—which employ more than 200,000 workers each ; the total number of registered factories in British India in 1931 was only 9,206, out of which the number actually working was only 8,143 ; and the average number of operatives employed was 1,431,487. It is difficult to assure ourselves that a country has been industrialised when only 1.4 millions out of a total population of 350 millions are employed in organised industrial pursuits. It is true that organised industry has succeeded in winning for itself a definite place in the Indian economic system, but how small that place is, is clear from the figures cited above. India's jute industry is unrivalled in magnitude, her cotton industries the fifth in importance in the world, and her mining industries may fairly be described as great, though in none of these cases is the limit of expansion in sight. A certain degree of progress has also been made in the

production of iron and steel, leather goods, sugar, paper, and a few other commodities ; and she possesses engineering workshops, dock-yards, petroleum refineries, and rice mills. But these have not been of much avail against the undue preponderance of agriculture which still bestrides the Indian world like a Colossus ; and economic reformers who are anxious to restore the proper balance between agriculture and industry are, therefore, still striving for ways and means by which greater numbers of the population could be diverted to industry and be given the necessary opportunities of developing the country's still unassessed natural resources. The case for industrialisation has been neatly summarised in the Montagu-Chelmsford Report of 1918, where it says : " On all grounds, a forward policy in industrial development is urgently called for ; not merely to give India economic stability, but in order to satisfy the aspirations of her people, who desire to see her stand before the world as a well-poised, up-to-date country ; in order to provide an outlet for the energies of her young men, who are otherwise drawn exclusively to Government service or to a few over-stocked professions ; in order that money now lying unproductive may be applied to the benefit of the whole community ; and in order that the too speculative and literary tendencies of Indian thought may be bent to more practical

ends, and the people may be better qualified to shoulder the new responsibilities which the new constitution will lay upon them."

This will be an opportune moment to pass in brief review the policy of the State as regards industrial development. As has been often pointed out, the commercial origins of the British Administration in India long tainted its attempts to interfere with the economic life of the country ; but since 1858 there has been a gradual transition from a régime of administrative exploitation, through a period of inertia induced by the *laissez faire* doctrine, to a conscious attempt at economic development. It was in Madras that the first serious endeavour was made by the Government to tackle the problem. In a country where industrial initiative was feeble, if not entirely lacking, it was felt that the Government ought to do the pioneering, and, by setting up model industries, encourage private agencies to follow in their wake. The efforts of Sir Alfred Chatterton in this direction proved so successful in the Madras Presidency that in 1909 permission was sought from the Secretary of State for India for the adoption of a more advanced industrial policy by the Madras Government. Lord Morley, however, was sceptical of the utility of State effort in the direction of experimenting on a commercial scale with likely industries, and confined Government activity to

training up apprentices and other kinds of industrial instruction, for he considered that industries started by the State, even for purposes of pioneering, "will either remain a petty and ineffective plaything or become a costly and hazardous speculation"; and it was not till the War broke out that the Government of India was emboldened to strike out along paths other than mere industrial education.

The Great War was destined to result in a period of unprecedented prosperity for the leading industries of India; during the period 1914-18, the production of cotton piece-goods was doubled, the output of the jute mills and woollen mills was nearly trebled, leather factories multiplied by more than ten-fold, and the iron and steel industry showed a remarkable expansion. European markets for raw materials were closed or greatly restricted, and the shortage of shipping added a further complication. The position was similar as regards imports, and the contraction of commerce with the West served to bring home in a striking manner the extent of India's economic dependence on Europe. Her necessity was such that she could no longer afford to wait until private enterprises rose to the occasion. In a dispatch of November 26th, 1915, therefore the Government of Lord Hardinge examined the question afresh with the India Office. "It is becoming increasingly clear," so ran the

dispatch, "that a definite and self-conscious policy of improving the industrial capabilities of India will have to be pursued after the War unless she is to become more and more a dumping ground for the manufacturers of foreign nations, who will be competing the more keenly for markets the more it becomes apparent that the political future of the larger nations depends on their economic position. After the War, India will consider herself entitled to demand the utmost help which her Government can afford to enable her to take her place, so far as circumstances permit, as a manufacturing country." The next year saw the appointment of the Indian Industrial Commission, with instructions to examine and report upon the possibilities of further industrial development in India, with special reference to the following questions :

- (a) whether new openings for the profitable employment of Indian capital in commerce and industry can be indicated ;
- (b) whether and, if so, in what manner, Government can usefully give direct encouragement to industrial development—
  - (i) by rendering technical advice more freely available ;
  - (ii) by the demonstration of the practical possibility on the commercial scale of particular industries ;



- (iii) by affording directly or indirectly financial assistance to industrial enterprises ; or
- (iv) by any other means which are not incompatible with the existing fiscal policy of the Government of India.

While the Commission was still sitting, the increased difficulties of obtaining stores and material of all kinds compelled the Government to call upon its president, Sir Thomas Holland, to organise the Indian Munitions Board, with the object of controlling and developing Indian resources with special reference to war needs. The principal methods adopted by the Board to stimulate local production were the direct purchase in India of articles and materials needed for the Army, the civil departments, and the railways ; the diversion of all orders for goods from abroad to manufacturers in India ; the rendering of assistance to firms desirous of importing plant or of engaging chemical or technical experts from abroad in order to establish new industries or develop old ones ; and the dissemination of information and expert advice and the rendering of other direct or indirect assistance to persons prepared to embark on new industries in India. The successful working of the Munitions Board helped to crystallise the views of the Industrial Commission in as much

as it served as an experiment on a large scale designed to test the value of several of their conclusions, not only as regards the manufacturing capabilities of the country, but also as regards the kind of administrative machinery suitable to carry out a policy of active industrial development. In the extremely valuable report presented by the Commission, which contained many constructive proposals, two main principles were put forward for the definite acceptance of the Government: (1) that in future Government must play an active part in the industrial development of the country, with the aim of making India more self-contained in respect of men and materials; and (2) that it is impossible for Government to undertake any part, unless provided with adequate administrative equipment and forearmed with reliable scientific and technical advice.

The recommendations made by the Commission were favourably received both by the Government and the Indian public; and Central and Provincial Departments of Industries were promptly organised. But the specific exclusion of the question of the tariff from the terms of reference of the Commission was interpreted by Indian public opinion as indicating that the British Government was still unwilling to relax its hold upon the economic life of the country. The demand for protection has been one of the oldest demands

of the Indian public, and the Joint Select Committee on the Government of India Bill, which presented its report on November 17th, 1919, therefore, felt compelled to recommend full fiscal autonomy for India, a principle which was accepted by the Secretary of State in his dispatch to India of June 30th, 1921. Meanwhile, the financial difficulties of the Indian Government were driving it to measures which, without intending it, were approximating more and more to a protectionist policy. The successive increases in the general rate of import duty during the War years and the years immediately following the conclusion of peace had in effect created a high tariff wall. In view of the practical protection which a general import duty of 15 per cent implied, it seemed absurd to hold out any longer for free trade principles ; and in a resolution of October 7th, 1921, the appointment was announced of a Fiscal Commission to examine Indian Tariff policy and to make recommendations. The Commission had before it only two alternatives ; on the one hand was a high general revenue tariff, with its incidental and uncertain protective effect ; on the other, the setting up of a tariff deliberately designed to serve the needs both of protection and of revenue ; and in the circumstances it decided in favour of a scheme of scientific protection. Following its recommendations, a Tariff Board has been set up, the

services of which have already been utilised for the consideration of the post-War difficulties encountered by the following industries, and in each case its recommendations have resulted either in the passing of protective legislation or in inducing the industries concerned to re-examine their position and introduce considerable internal economies: (1) Steel Industry; (2) Magnesium Chloride Industry; (3) Sulphur; (4) Printers' Ink; (5) Paper and Paper-pulp Industry; (6) Cement Industry; (7) Wire and Wire-nail Industry; (8) Ship-building Industry; (9) Spelter and Galvanised Hardware Industry; (10) Coal Industry; (11) Cotton Textile Industry; (12) Plywood and Tea-chest Industry; (13) Printing-paper Industry; (14) Oil Industry; (15) Match Industry; and (16) Manilla Rope Manufacturing Industry.

It is open to question whether State aid to industry has yet proved to be anything more than a costly, but ineffective, "plaything." The contribution made to industrial development by the various Government institutes for training up apprentices and skilled artisans remains as yet extremely negligible, and it is no wonder that the various industries of the country are treading on each other's heels in their efforts to obtain priority in the matter of tariff protection. There is to-day a well-grounded suspicion in India that the importance

given to the policy of protection has been responsible for perpetuating serious evils in the internal organisation of Indian industry ; and some of the reports of the Tariff Board have not been slow to point out the many self-remediable evils from which the entire industrial system of India is suffering. After all, the purpose of protection is to enable an industry suited to the country to grow up and flourish in its infant stages ; and the proper test of the success of any policy of discriminating protection ought to be the rapidity with which a protected industry achieves full competitive efficiency, making it thus possible to do away with the protective barrier. Already, signs are abundant that the industries which are so vociferous in their demands for protection are those which do not show any real desire to develop their competitive efficiency by the realisation of internal economies and the elimination of waste. The Indian cotton industry has been with us for nearly three generations ; yet it still pretends to be an infant industry and hardly any year passes without its seeking additional help from the Government. It is not in such an atmosphere that the spirit of a sturdy industrialism can strike root and flourish. What is, therefore, needed now, even more than a protectionist policy, however carefully applied, is the creation of those circumstances and conditions in

which alone the spirit of industrial effort can thrive and develop. For this, as "Indian Finance" points out, we require "a keenness of outlook and understanding on the part of the people enabling them to fight the battle of economic life with vim and zest, and to adapt themselves to the changes which an ever-changing world renders necessary ; a habit of investment amongst classes who are prosperous and thrifty enough to be able to put by something out of their earnings ; a class of industrial entrepreneurs, big banks and financial houses, technicians of various kinds, a large population of skilled workers, and a nation politically competent to keep the mental and moral powers of the country equal to the requirements of economic progress." It is a sad commentary on the existing industrial system of India that almost all the big undertakings in the country are exotic in their origin. The jute industry was started by two Englishmen, and is now practically a monopoly of Scotchmen from Dundee. The Indian capitalists have, for the most part, been content to play the passive rôle of mere investors, and till very recently have had no part in the management of the jute mills. The foundations of modern mining in India were laid by an Irish soldier of the Mutiny, who, in 1871, commenced work on what are now the Kolar Gold Fields ; the metalliferous iron industry is, even now, largely



in European hands ; and the plantation industries were also in most cases started by the foreigner. A result of this has been that the direction and control of industry have remained for the most part with the European. Bombay's is a case apart, and the staple industry of that city is of indigenous origin, though largely aided by the technical skill of English experts. It is a poor compliment to the Country's industrial initiative that the only outstanding name that India could cite in the field of industrial leadership is that of the late Jamshedji N. Tata, and, even here, one has to remember that the iron and steel industry of Jamshedpur owes a large measure of its success to American collaboration and expert advice. Among other Indians who have toiled hard, each in his special domain and often against tremendous odds, to quicken the pace of Indian industrial expansion are Sir R. N. Mukerjee of the well-known firm of Martin & Co., and the late Mr. Narottam Morarjee, the founder of the Scindia Steam Navigation Company. On a somewhat different plane, Sir P. C. Ray of Calcutta and Sir M. Visweswarayya of Mysore have rendered great national service by successfully demonstrating the possibility of starting medium-sized industrial ventures, thus opening out to the Indian middle classes a new line of profitable endeavour.



Here we may refer to the utter lack of preparation that exists in the country for the creation of a race of captains of industry. Much of the big business in India is concentrated in the hands of "managing agency firms," which, whatever may be the services they have rendered to industry in its earlier stages, have now outlived their usefulness. Mostly they are extremely conservative in their methods of business, and show undue reluctance in embarking on new ventures. Both the Industrial Commission Report as well as the Report of the Indian Tariff Board in 1927, point out how they show lack of enterprise and unwillingness to follow lines of development naturally proceeding from the expansion of operations in their own special industries. Latterly, the system of remuneration and even the commercial morality of some have come in for bitter criticism. In a land where imitativeness is one of the prevalent characteristics, it is no matter for surprise that even the leading non-agency firms have adopted these undesirable features of the "agency" system. Initiative and enterprise are thus not encouraged by the leading industrial firms, with the result that Indian industry, as such, is unable to get the constructive guidance that it requires from its natural leaders. And as for their efficiency, it is enough to say that the managing agents, owing to the multiplicity of their interests, are

not in as close touch with their various enterprises as is desirable, and that "few, if any, of the directors take an active interest in the affairs of the concerns with which they are connected." In addition to this cause of inefficiency, is the more fundamental one that a great many leading Indian industrialists have no technical qualifications for the positions they hold ; of the 175 directors of the mills in Bombay in 1927, there were only 11 that had received any practical training. A further criticism of the existing system is that industrial leadership tends to descend in hereditary succession, being passed on from father to son, or to some other relative, and regarded somewhat in the light of a family possession. As it does not follow that business capacity is inherited with the succession to an industrial concern, and as no attempt is made to train the future leaders in the technique of management, development is rendered more and more difficult, the more so as by this system the door is closed to the able, but not necessarily wealthy or well-connected, outsider to rise to positions of responsibility. In spite of these handicaps, talent and energy are sure to force their way through the citadels of self-interest to the directional positions in industry. For the rising tide of national sentiment is not willing to content itself with the present position under which industrial leadership is either in the hands of

the European or of a small caucus of indigenous industrial families ; and it may be hoped that with the growing spirit of economic knowledge, and the increasing need for industrial openings, the country will soon produce the race of business men it needs to direct the course of its economic development.

## 4. THE TRADER

*By* DR. VERA ANSTEY

LONG BEFORE direct trade was instituted between India and the West, Indian specialities—in particular spices and fine textiles—were known to traders the world over, and were highly prized by those lucky enough to be able to afford such rareties and luxuries. Archæologists tell us that Eastern, including Indian, goods found their way—after passing through the hands of innumerable intermediaries—to practically every seat of early civilisation.

All through the centuries the West admired and desired Eastern commodities. What a world of wonder and romance was evoked by the phrase “the riches of the East”! It was not, however, till the nineteenth century that the West could provide any considerable quantity of merchandise in demand in the East. Not without justice has India been called “the sink of the precious metals.” The drain of bullion to the East, about which so much was heard in the seventeenth century, was no novelty. Pliny and other classical writers complained of the same phenomenon, which was,

indeed, a feature of trade with the East from very early times.

The latest finds at Harappa and Mohenjo-Daro<sup>1</sup> provide new evidence of the extremely early civilisation of India. Later records and evidence show that in India highly skilled craftsmanship was developed in the textile, metal, and other artistic industries, and internal trade (in favoured areas) was highly organised, and even financed by *hundis* (i.e. bills of exchange), at a time when the inhabitants of what are now the "Great Powers" were rude barbarians.

There is, however, another side to the picture. Gibbon said that "the objects of Oriental traffic were splendid and trifling," and this brings out an important point. All the evidence shows that the Indian goods which entered into foreign (and also internal) trade were articles of luxury, of high value in relation to bulk, and that—judged by modern standards—the volume of such trade was extremely small. Qualitatively, India's commercial products were precious, highly wrought, and of great artistic value; quantitatively, they were almost negligible. It has been estimated that, even in the days of the Great Moguls, the total volume

<sup>1</sup> *Mohenjo-Daro and the Indus Civilisations*, ed. Sir John Marshall, 3 vols., 1931. "Five thousand years ago, before even the Aryans were heard of, the Punjab and Sind . . . were enjoying an advanced and singularly uniform civilisation of their own, closely akin but in some respects even superior to that of contemporary Mesopotamia and Egypt."

of India's overseas trade was only equivalent to from 24,000 to 36,000 net tons, as compared with an annual net tonnage, between 1911 and 1914, of 6,750,000 tons.<sup>1</sup>

How could it have been otherwise, before the introduction of reliable and rapid means of transport? Here is the key to the apparent enigma of the sudden reversal, in modern times, of the relative importance of Eastern and Western trade. The new commercial era that set in from the time of the Great Discoveries, and which was specifically connected with the discovery of the sea-route to India, was fundamentally dependent upon improvements in transport and communications, which were all initiated in the West. Modern commercial developments did not entail the replacement of Eastern by Western trade, but took the form of an absolutely unprecedented increase in the trade of the West, an increase that has continued at an accelerated pace, and has always been connected with further improvements in communications, right up to the present day. In other words, Eastern was eclipsed by Western trade, not on account of the decline of the former, but because of the unexampled increase of the latter. India did not become poorer. The West became richer.

The "riches of the East" were never, to any extent, enjoyed by the masses, who always

<sup>1</sup> H. Moreland, *India at the Death of Akhbar*, p. 237 (1920).



lived near the poverty line. Professor Tawney has compared the position of the rural population in parts of China to "that of a man standing permanently up to the neck in water, so that even a ripple is sufficient to drown him."<sup>1</sup> The analogy might equally well be applied to a considerable proportion of the Indian peasantry in the past, and even at the present day, except that since the beginning of this century means have been discovered of preventing the worst evils that may arise from scarcity or other calamities.<sup>2</sup> The fact is that not until recently has much attention been paid to the condition of the masses in *any* country.

It seems at first curious that during the last hundred and fifty years there has been more rapid expansion, but also more discontent at the trend of development, in Indian foreign trade than in any other economic sphere in India. But this dissatisfaction relates, of course, not to the volume, but to the changes in the nature and objects of trade, and to the form taken by the commercial relations that have developed between India and Great Britain.

If we examine past records we find that from very early times until the end of the eighteenth or beginning of the nineteenth century, the nature of the principal articles of Indian

<sup>1</sup> R. H. Tawney, *Land and Labour in China*, p. 77 (1932).

<sup>2</sup> It is, for instance, claimed that during the last thirty years there have been no deaths from actual starvation in India, mainly owing to the Government's famine prevention and relief schemes.



foreign trade varied but little. For instance an account<sup>1</sup> written by a supercargo of the first century A.D. tells us that India's exports included spices (e.g. pepper and ginger) ; manufactures (including many cotton and silk textiles, and iron and steel goods) ; drugs, perfumes, unguents, and dyes ; re-exports of "China goods" (i.e. silks, porcelain and spices, obtained by India in exchange for her textiles, which were then exported mainly eastwards) ; and foodstuffs (including rice), in small quantities, which went to neighbouring ports only. In return India imported silver and coins ; "China goods" ; horses (from Persia, for military use and display) ; minerals (including tin, lead and copper) ; and manufactured novelties and luxuries. Compare this list with that given by Mr. Moreland for the sixteenth century, and it will be found that the two agree in essentials.<sup>2</sup>

It is true that from the seventeenth century onwards certain significant commercial changes can be discerned, but even at the end of the eighteenth century India's chief exports were manufactured silk and cotton goods, raw silk and specialities (such as saltpetre, indigo, opium, and pepper), in return for which she imported specie, woollens, metals (copper, tin, lead, iron, and steel), and naval and military

<sup>1</sup> *The Periplus of the Erythrean Sea.*

<sup>2</sup> H. Moreland, *India at the Death of Akhbar*, p. 197.

stores, whilst the volume of trade remained extremely limited.

Since then the volume of trade has increased out of all recognition, and the nature of the commodities concerned has fundamentally changed. It is difficult to estimate at all precisely the increased volume of trade, but it may be noted that in 1835 (when the present series of trade statistics began) the total value of merchandise imported and exported by sea amounted to only just over £14 millions, whilst as late as 1850 it was about £32 millions, and at the latter date the only classes of goods valued at over £1 million each were, amongst imports, cotton piece-goods, and amongst exports, opium, indigo, sugar, and raw cotton.<sup>1</sup>

What a contrast with the present day ! The latest available figures refer to 1931-32—a year severely affected by the present depression and fall in prices—yet the total trade in merchandise amounted to no less than £218.9 millions, and there were 20 separate classes of imports and 14 of exports valued at over £1 million. To judge of the volume of trade, allowance should, of course, be made for price variations, but these have not always been in the same direction, and there is no doubt that the figures quoted reflect at least the general trend in the volume of trade. Before the present slump in

<sup>1</sup> See L. D. Prasad, *Some Aspects of Indian Foreign Trade, 1757-1893* (1933).

prices, i.e. in 1928-29, the total value of India's trade in merchandise amounted to no less than £438 millions.

The argument of those who criticise the trend of trade is that from being an exporter of manufactures and specialities, with no great dependence on imports (except of specie), India has become an exporter of food-stuffs and raw materials, dependent on imports for a large part of her clothing and other industrial necessities. It is held that this means that her economic development has been perverted, in the sense that she has been prevented from developing her natural taste for craftsmanship and skill in manufacture, and has been forced to adopt the more primitive and less remunerative occupations, in particular, agriculture.

Space does not permit me to trace, in any detail, the economic and commercial changes resulting from the British connection, but attention may be called to one or two outstanding features.

It is, in general, true that during the nineteenth century the general trend of trade was in the direction indicated above. The enormous increase in trade was accompanied by a decline in manufactured exports, a great depression in the indigenous industries—which lost to cheap imports a large share of the home, as well as former foreign markets—and a correspondingly great increase in exports of

primary products, and in imports of clothing and miscellaneous manufactures. Many of India's traditional industries were ruined, and some—such as the hand-spinning of cotton, and the iron industry—were practically eliminated by 1900.

It is no wonder that this process should be deplored ; that counterbalancing benefits should be overlooked ; and that certain features of India's economic system to-day, which are disliked, should be attributed to British rule and policy. But certain facts should be borne in mind when judging the past and evaluating the present situation.

In the first place, what has occurred should not be attributed entirely to deliberate policy, or indeed to policy at all. Peasant industries have declined, and declined inevitably, the world over—owing to the rise of mechanical mass production. India has not been alone in this respect, but has shared in an almost universal process.

It is true that, in the days of the East India Company, at a time when it was only a trading company, with a few establishments in certain ports, the sale of certain Indian cotton and silk goods in England was prohibited (i.e. in 1700 and 1720), but the immediate result was not very serious.<sup>1</sup> India's export of textiles

<sup>1</sup> For the whole story see P. A. Thomas, *Mercantilism and the East India Trade*.

westwards was a new line of trade that had only risen to importance during the seventeenth century, whilst her home, Eastern, and Continental European markets were unaffected. Probably the prohibition stimulated the growth of cotton manufacture in England, but the really important phase came later, when—as a result of the Industrial Revolution in England—cheap machine-made goods (including Lancashire cotton products) began to flood both the Indian home market, and India's former Eastern markets.

All through the nineteenth century this process continued. Improvements in the technique of manufacture and in means of transport led to such a cheapening of factory products that hand-made goods could not compete against them. India, publicists allege, has a legitimate grievance at the artificial stimulus given by England's eighteenth-century tariff policy to Lancashire's cotton trade, but this was not the result of "British rule," which was not yet in existence. It is a grievance of exactly the same order as any country may complain of when its export trade is hit by foreign tariffs, quotas, and prohibitive regulations.

In India the effects of the Industrial Revolution, although apparent early in the nineteenth century, did not become really widespread until the second half of the century, when mechanical

transport was introduced into India. With the construction of the Indian railways (1853 onwards), the opening of the Suez Canal (1869), and the construction of steel steamships, India's trade increased by leaps and bounds. Although the handicrafts were severely hit, there was a concurrent expansion of total productivity (enabling a vast increase in population, and some improvement in the standard of life, limited, mainly, by that very increase in population), and of trade. The "opening-up" of India enabled large-scale specialised production, large-scale export of bulky goods, and large-scale import of industrial products, for the first time. Possibly some of these developments might have been checked, but that would have been at the cost of checking India's material progress in general.

Secondly, although these changes for many decades tended towards what has been called "unbalanced" economic development—i.e. a much greater increase in agricultural than in industrial production—this has, in the long run, proved to be only a passing phase, arising inevitably out of the fact that technical improvements and large-scale production occurred first in the West. For a time Lancashire mills undercut Indian spinners and weavers ; Dundee mills imported and manufactured Indian jute ; Marseilles expressed oil



from Indian oilseeds. But this trend has now been changed. Gradually India began to adopt Western methods, and the cotton and jute mill industries, large-scale coal-mining and engineering all developed during the second half of the nineteenth century. To-day the cotton goods of Bombay and Ahmedabad are ousting Lancashire products, Calcutta jute mills have eclipsed those of Dundee, and have recently cried in vain, for protection against Indian jute manufactures. The extremely prosperous pre-War period (during which the great Tata Iron and Steel Works were started), the temporary restriction of imports during the Great War, and the change in tariff policy since the War, have all helped to reverse the former trend. The percentage of the total value of Indian exports attributable to articles wholly or partially manufactured rose from 17 in 1904 to 26 at the present day.

Let us now turn from the past, and attempt to indicate the main characteristics of Indian trade and to evaluate the strength of India's commercial position at the present time.

How does India stand, as a trading nation, among the other great trading nations of the world?

Although economically backward in certain respects, the importance of India to the trader is obviously extremely great. From the point of view of the value of total trade she stands sixth

on the list, accounting for 3 per cent of the world's total trade in 1929.<sup>1</sup>

As a market, India is of special interest because of the nature of her imports, and of the vast potentialities should the standard of living in India improve even slightly. Of recent years India's principal classes of imports have been cotton manufactures (accounting, even in 1931-32, for 20.72 per cent of the total value) ; machinery and millwork (8.64 per cent) ; metals and ores (7.74 per cent) ; oils, mainly mineral (7.69 per cent) ; sugar (4.88 per cent) ; vehicles, mainly motor-cars and lorries (3.55 per cent) ; instruments and apparatus, provisions and oilmen's stores, raw and manufactured silk, dyes, hardware, and chemicals.

Three facts stand out. Firstly, India's needs are very varied and offer opportunities for almost every exporting country. Secondly, a large proportion of her imports are manufactures, and it is here that the struggle for markets is (normally) keenest. Thirdly, although India is becoming an important manufacturer, she still has the least comparative advantage in producing the highest quality goods, and therefore offers a market for such goods from abroad, which naturally tends to expand as India becomes wealthier.

It must be admitted that India is still largely

<sup>1</sup> The first five countries are the United States, Great Britain, Germany, France, and Canada.

a "price-market"; i.e. the poverty of the people forces them to choose cheaper rather than better quality goods. Despite the impressive volume of the trade, India's trade in proportion to resources and population is still unusually low. It has, for instance, been estimated that Japanese trade per head is about six times that of India. But the potentialities, as already noted, are immense, whilst there are other factors at work besides cheapness, determining what is sold in the Indian market; factors which tend to favour good salesmanship, a fact of which Germany (before the War), and Japan (since 1914) have not been slow to take advantage of. Saleability in India depends partly on price, partly on convenience and suitability. For instance the Japanese trader has made great headway partly because of his close study of the Indian market, and because he brings his goods right to the customer, quoting terms of sale according to local usage, and facilitating payment by means of appropriate credit arrangements. In particular the Japanese has gained a great advantage by combining (as he also does in East Africa) the rôles of purchaser and seller; e.g. by purchasing raw cotton in return for cotton and miscellaneous manufactures.

However rapidly India may advance industrially, even with complete freedom to protect home products, it is certain that for long she

will be unable to satisfy her own demands for many manufactures, and, indeed, the very fact of "industrialisation" will necessitate increased imports of machinery, plant, implements, and perhaps raw materials. Industrialisation should be accompanied by an improved standard of life, so that even if India's productive powers overtake her demand in certain directions, new needs will develop. But it is unnecessary to labour further the extreme desirability and great potentialities of the Indian market.

The heterogeneity and importance of India's principal exports are equally marked. Of recent years India's principal classes of exports have been raw and manufactured jute (accounting, in 1931-32, for 21.86 per cent of the value of her total exports; 14.06 per cent being attributable to manufactured jute); raw and manufactured cotton (18.35 per cent; raw cotton accounting for 15.26 per cent); grain, pulse, and flour (13.0 per cent); tea (12.47 per cent); oilseeds (9.36 per cent); metals and ores (3.51 per cent); leather, raw hides and skins, wool (raw and manufactured), paraffin wax, oilcakes and lac. It will be noted that wholly and partially manufactured goods—jute cloth and bags, cotton piece-goods, pig-iron, leather, woollens, paraffin wax, oilcake, and shellac (the chief form in which lac is exported) play an important part.

Raw jute and lac are practically Indian monopolies ; India is the chief rice-exporter of the world, contributing about one third of the world's rice exports ; India is the chief tea-exporter, contributing 40 per cent of the world's total ; India is second only to the United States as an exporter of cotton, contributing 20 per cent of the world's total ; and India is the chief exporter of groundnuts.

What conclusions can be drawn from this short survey, and from other relevant facts, as to the strength of India's position as a trading country ?

The strength of a country's trading position depends partly upon the needs of other countries for its products, and partly upon the extent to which it can supply its own necessities, and hence is independent in that respect.<sup>1</sup> One must also consider the tendency as regards the "terms of trade," that is, the conditions of exchange as determined by the relative level of prices prevailing amongst imports and exports respectively. Other important factors are the prospects in the home market, so far as these affect the commercial situation ; changes in commercial policy at home and abroad ; and (of course) world-wide conditions as regards prosperity or depression.

<sup>1</sup> See *Asiatic Review*, July 1932, "India's Place in World Trade," by H. A. F. Lindsay.

Let it be said at once that in discussing these factors it is necessary to assume some eventual recovery from the present depression. Should no such recovery occur, each country will be driven to depend, more or less completely, upon its own resources. In this case the whole system of international economic interdependence which has developed during the last hundred and fifty years, and which has been accompanied by such a remarkable improvement in the standard of life in many areas, will collapse, and the strength or weakness of a country's trading position will become a matter of minor importance.

On the assumption, then, that some recovery will occur, it appears that India is in a strong position as regards the need of other countries for her products. She has a practical monopoly of raw jute, and her jute-mill industry shares in the advantages arising therefrom ; she has semi-monopolies, or specialities, in lac, goat-skins, teak, and mica ; her tea, rice, pig-iron, raw cotton, oilseeds, and manganese are produced under highly favourable conditions and are in wide demand.

Figures have already been quoted showing the large share of world trade enjoyed by some of these products. One or two additional facts may be noted. For instance the cost of production of pig-iron is much less in India than in competing countries, whilst Japan (India's



principal customer) has quite inadequate home supplies and increasing needs. India is even beginning to send considerable quantities to England. In fact, India's pig-iron exports are limited not so much by the difficulty of finding markets, as by the difficulty of expanding more rapidly her output in excess of the needs of her own growing steel industry.

Manganese is in great demand in steel-producing countries, and the completion of the new railway from Central India to Viyagaputam should greatly assist exports.

India's raw cotton has been in a strong position in the past, owing principally to Japanese demand, but in the future exports may be dependent upon an improvement in staple and quality in general, as Japan tends to turn to better types of cotton. On the other hand, as a result of the Ottawa Agreement, measures are being taken to extend the English market for Indian cotton.

The reader may have noticed the omission to mention one commodity, i.e. wheat, usually included amongst India's principal exports. This omission is due to the fact that, although wheat production in India has continued to increase, home consumption has increased still more. India no longer possesses any considerable surplus for export, and in recent years has actually been a net importer of wheat.

The course of the export trade in cotton

goods appears, ostensibly, less satisfactory than that of the commodities so far discussed. India has entirely lost her former extensive yarn export to China, and has tended to import increasing quantities, at first from Japan, but now from Japanese mills working in China. India's exports of piece-goods have also declined, though not greatly, the former Far Eastern markets having been practically eliminated, but partially replaced by new or expanding markets in Persia, Ceylon, Iraq, East Africa, the Straits Settlements and Arabia. Moreover it must not be forgotten that the vastly increased output of India's cotton-mill industry<sup>1</sup> has, so far, been largely absorbed in the home market, owing partly to the expansion of population (which rose from 318.9 millions in 1921 to 352 millions in 1931) and partly to the stronger competitive position of the Indian mills in comparison with imports. The latter is due partly to improved efficiency, partly to higher tariffs, and partly to the boycott of foreign products. Unfortunately the consumption per head of mill-made cloth in India is actually less now than before the War, owing perhaps partly to the inability of the peasants, under existing price conditions, to purchase as much as during the exceptionally prosperous

<sup>1</sup> The production of Indian mill-produced yarn rose from 683 million yards in 1913-14, to 966 millions in 1931-32, and that of Indian mill-produced piece-goods from 1,164 million yards to 2,989.9 millions during the same period.

pre-War period, but allowance should be made for the revival in hand-spinning and weaving, for which reliable statistics are not forthcoming.

In any case, making full allowance for the desired increase in consumption per head in the home market, India's productive capacity is now so great—owing to the rapid development of the “up-country” mills in Ahmedabad and elsewhere—that she should be able to cater for both the home market and expanding exports. Bombay has been severely depressed even whilst up-country mills have flourished, but is in an excellent position to extend her markets in e.g. Ceylon, East Africa, and the Straits Settlements, if the hoped-for extension of inter-Imperial preference, provided for in the Ottawa Agreement, becomes an accomplished fact and gives her an advantage over Japan in such areas.

Compare, for a moment, the outlook in India, as regards exports, with that in China and Japan. Both the latter countries export to the West chiefly, either luxuries which can easily be forgone, or goods for which substitutes can be found. No less than 36.3 per cent of Japan's total exports consist of raw silk, which goes mainly to the United States. Space forbids further comparison, but a detailed analysis would show how great is India's advantage in this respect.

Next we must enquire to what extent India is dependent on imports of necessities, a factor which obviously effects her commercial bargaining power. On the whole, India is self-sufficing as regards food-stuffs, and textile raw materials, has large coal deposits, and magnificent resources in high-grade iron-ore. Comparison may again be made with Japan, which is becoming increasingly dependent on imports of food-stuffs, is entirely dependent on imported cotton, and partly dependent on imported iron and coal.

Among food-stuffs an exception is sugar, of which India is one of the greatest importers, although she is also a great producer. But here progress is being made. Sugar has for some years been subjected to a relatively high revenue duty, and since 1931 has been placed in the "protected" schedule. Meanwhile great efforts are being made to increase output and improve methods of refining, with such success that in 1931 there was a record crop of 3.8 million tons, whilst imports fell to 500,000 tons, as compared with 901,000 in 1930-31, and 803,000 in 1913-14.

India is also independent as regards raw materials (such as cotton, jute, and iron) for her staple manufacturing industries. Imports of steel goods remain high not because of scarcity of raw materials, but on account of high relative costs in the conversion of pig-iron

into finished steel. The extension of hydro-electrical works tends to counterbalance India's difficulties owing to the concentration of coal deposits, but India remains dependent on large imports of foreign mineral oil, whilst her own resources are chiefly located in Burma.

The most remarkable change in the direction of increasing self-sufficiency has already been noted, i.e. as regards cotton manufactures. Here we may simply add that imports of cotton piece-goods fell from 3,159 million yards in 1913-14, to 775 millions in 1931-32.

In fact India's chief requirements from abroad are a large variety of miscellaneous manufactures, mostly of the more highly finished type, including machinery, implements, and apparatus of all sorts. In the future, if she is to industrialise, India will have to expand such imports more rapidly than ever. She can only gradually replace them by home-products, and as she does so her demand will probably merely shift to new types of manufactures. On the other hand, in the short run, a temporary check to imports would not be nearly so disastrous as in many other countries, as was shown during the War, when the great fall in imports did not entail any great deterioration in the standard of life.

India's chief industrial weaknesses are to be found in the lag in her production of machinery, plant, tools, iron and steel goods, and

chemicals. She is also backward as regards the quality of such goods as silk and tanned hides and skins. It should also be noted that she depends on Burma for important commodities, including mineral oil, rice, and timber, so that, if Burma is separated, a reciprocal trade agreement will be essential in Indian interests. Finally, in this connection, it should be borne in mind that India cannot be considered a self-contained economic unit for all purposes. Power resources are highly localised, and it may always be cheaper in some areas to import coal and oil rather than to obtain supplies from distant home sources. Nor should it be assumed that the considerations advanced above are final arguments in favour of protection. I have merely analysed the existing situation from the point of view of the strength of India's trading position. It is arguable that greater prosperity and a higher standard of life, although a lesser degree of self-sufficiency, would have been attained in the past, and would be attainable in the future, by adherence to a free-trade policy. But it can certainly be concluded that, on the whole, India is in a strong position as regards both imports and exports.

The "terms of trade," i.e. the relative price levels of goods entering into the import and export trades, respectively, with special reference to recent changes therein, must now be



considered. The following table, based on 1913-14, shows that ever since that date India has suffered from a relatively high price level of imports.

Index number of prices, based on 1913-14.							
	1913-14	1920-21	1927-28	1928-29	1929-30	1930-31	1931-32
Imports.	100	237	136	133	128	105	88
Exports.	100	140	130	127	118	94	78

The discrepancy increased up to 1920-21, but then declined, until, between 1927 and 1929, it was nearly eliminated. Unfortunately the depression since 1929 has again increased the discrepancy, and at present India is suffering severely not only from the fall in the prices obtainable for her exports, but also from the fact that such prices have fallen more than the prices of imports. This limits India's purchasing power. The world-wide relative fall in agricultural prices necessarily hits predominantly agricultural countries particularly hard.

The next factor to be considered is what I have called the "prospects in the home market" in so far as these affect the trading position. I refer particularly to the prospects of "industrialisation" from the point of view of the possible economics of larger-scale production, which obviously affect India's competitive position both in the home market and abroad.

It is difficult to judge to what extent industrialisation is proceeding in India, though the census figures for 1931, when published, should throw some light on the subject. Undoubtedly large-scale production made considerable headway between 1900 and 1921. Since then, the extent of progress is more doubtful. It partly depends on the criterion chosen. Is one to judge by the numbers employed in large-scale industries, or by output? From the latter point of view progress has probably been accelerated since 1921, but owing to the tendency for present-day technical improvements to economise the use of labour, it is likely that the rate of absorption of labour by large-scale concerns is less satisfactory. This means that industrialisation is not contributing so much as was at one time hoped to India's population problem—i.e. that new openings, which may relieve the pressure on the land, are not extending as fast as is desirable. On the other hand, progress as regards output and costs will obviously improve India's competitive position, and, according to the Tariff Board reports, especially on the Heavy Chemical Industries, there is considerable scope for securing economies by larger-scale production.

Next we come to the question of commercial policy. It is obviously beyond the scope of this chapter to describe recent changes in the

policy of other countries, and we must content ourselves with noting the unfortunate world-wide trend, accentuated during the present depression, towards economic nationalism, and the consequential raising of barriers to trade, a fact which has repercussions in India as elsewhere. But the trend of tariff policy in India, and the Ottawa Agreement, are of such importance to Indian trade that—although they will be dealt with at greater length in another chapter in this series—the subject cannot be entirely avoided here. It is unnecessary, from my point of view, to discuss the relative merits of free trade and protection as such, or to enquire why free trade was introduced into India at the end of the nineteenth century. It will suffice to trace very briefly the return to protection in India, and to discuss the influence of the present tariff system on Indian trade. It may, however, be noted in passing that articulate Indian opinion has undoubtedly favoured, and still favours, protective tariffs, laying great stress on the need for industrialisation, and on the “infant industry argument.” It may also be suggested that whether or not one believes that protection will best serve Indian interests, one can at least recognise India’s right to determine her own policy, and hope that India will soon enjoy, under the new constitution, the reality of that tariff autonomy recognised in theory in 1921.

The history of the return to protection may be briefly summarised as follows. In 1894 (after twelve years of free trade) financial exigencies necessitated the introduction of a general revenue tariff, which—as amended in 1896—remained unaltered in essentials until 1916, the general rate<sup>1</sup> being 5 per cent. The urgent need for revenue then led to a series of increases, until in 1922 the general rate reached 15 per cent. In the spring of 1931, and again in the emergency budget of the autumn, surcharges were imposed on the various schedules. This means that at present the general rate is 25 per cent, whilst various specific and *ad valorem* rates are imposed on the other classes of goods, some higher, some lower than the general rate. This revenue tariff, alone, is high enough to exert a protective influence, and has thus tended to check international trade and to encourage certain home industries, besides contributing handsomely to the Government revenue, of which it now forms the most important single item. Meanwhile the whole economic policy of the Government has undergone a far-reaching change, especially as a result of the Great War, when it was realised how great were the industrial potentialities but also the industrial deficiencies of India. A whole series of commissions and committees have enquired into the

<sup>1</sup> Imported goods are classified in a series of schedules, to which different rates apply. The largest class, including all goods not mentioned elsewhere, is subject to the "general rate."

various aspects of economic and financial conditions in India, and a much more constructive policy has been introduced. In the commercial sphere the Report of the Indian Fiscal Commission (1921-22) recommended a policy of "discriminating protection," which was adopted by the Government. A Tariff Board was established to examine the claims of industries to protection, with the result that protection has been accorded to steel goods (since 1924), certain types of paper, matches, cotton piece-goods (since 1930), silver thread and wire, certain heavy chemicals, sugar, and wood pulp. Preference to British goods is accorded in the case of steel and cotton piece-goods.

Hence considerable scope has already been provided by both revenue and protective duties for the development of Indian industries behind tariff walls. The latest step is, of course, the ratification (after considerable opposition) of the Ottawa Agreement, which admits Indian goods either free, or at a preferential rate, into the British market, in return for the promise of preference (normally of  $7\frac{1}{2}$  to 10 per cent) for a long list of British manufactures. In drawing up the Indian Agreement respect was paid to the principles laid down by the Indian delegation, which included the provisions that India's existing careful scheme of protection could not be relaxed, that India's

customs revenue should not be imperilled, and that, in view of the political situation, India could not be bound for a series of years.

Whether or not trade will be extended by the agreement, in comparison with the former situation (when Britain was a free market), it is clearly to India's advantage to gain the privileges in the British market accorded by the agreement to the whole Empire. A very large proportion of her trade is carried on with British countries, which would be hard hit were it subjected to the tariffs imposed on foreign products. In addition special provisions in the Indian agreement give scope for increased sales in the British market of commodities such as rice, linseed, and pig-iron.

Possibly of even greater importance is the provision for making preferential arrangements with both the non-self-governing Colonies and the Dominions. Such agreement should offer valuable opportunities for trade expansion; for instance, by increasing sales of Indian cotton goods in East Africa and elsewhere, and possibly (in the future) by opening out markets for India's iron and steel products.

On the other hand, Ottawa is almost certain to result in a general raising of tariff barriers. In India, for instance, the promised preference to British goods is to be accorded by raising the duties on foreign products.

It may, therefore, be concluded that the



agreement will promote "trade within the Empire," but that it remains to be seen whether or not this advantage will be offset by a decline in trade with other countries. Given the new Imperial system, it is to India's advantage to join, but it is too early yet to say whether the new policy will, on balance, promote or check trade. Doubt may also be cast upon the extent to which prosperity in India can be promoted by protection. Too often the claim comes mainly from industrial interests which stand to gain directly from a particular tariff, and which were thereby enabled to compete without the technical and commercial reorganisation which would otherwise be necessary. The interests of consumers and of the cultivators tend to be ignored. Effective protection necessarily reduces the revenue to be obtained from tariffs, whilst India needs, perhaps more than anything else, wise expenditure on "Nation-building" and eventually productive objects. On the whole it seems that, with certain exceptions, Indian industries are still at a stage at which protection necessarily involves a heavy burden on consumers, and that widespread prosperity is more likely to be promoted by at least relatively free exchange.

The influence of world-wide conditions (particularly of the present depression) in Indian trade, has already been touched on

incidentally in connection with changes in the terms of trade, and we have seen that India, in common with other predominantly agricultural countries, has been particularly hard hit by the relative fall in the price of primary products.

The following tables show the recent trend of India's export and import trade in comparison with 1913-14.

*I. Total Value of India's Trade in Merchandise. (In crores<sup>1</sup> of rupees.)*

	1913-14	1928-29	1929-30	1930-31	1931-32
Imports . . .	183	253	240	164	126
Exports . . .	<u>244</u>	<u>330</u>	<u>311</u>	<u>220</u>	<u>155</u>
Total . . .	427	583	551	384	281
Net imports of bul- lion and specie .	36	31	23	22	—
Net exports of bul- lion and specie .	—	—	—	—	56

*II. Value of Indian Trade, on the basis of Prices in 1913-14.*

Imports . . .	183	190	189	157	143
Exports . . .	<u>244</u>	<u>260</u>	<u>263</u>	<u>235</u>	<u>200</u>
Total . . .	427	450	452	392	343

The value of India's trade, after a big fall at the beginning of the War period, gradually rose again, to a peak in 1928-29. With the onset of the depression, in the autumn of 1929, India's trade declined slightly in 1929-30, and

<sup>1</sup> A crore means ten millions, and is written 1,00,00,000. One rupee, at the present time, is equivalent at par to 1s. 6d. sterling. The figures include private merchandise, and exclude re-exports.

very heavily thereafter. Table II. represents Indian trade revalued on the basis of 1913-14 prices, and thus provides a rough indication of changes in volume. It shows that the volume of India's total trade was greater in 1928-29 and 1929-30 than before the War, and that the subsequent decline has not been nearly so great in volume as in value. Between September 1929 and June 1932 the price index of exports declined 50 per cent, and that of imports 22 per cent. Little wonder that the Indian ryot cannot manage to pay land revenue, or rent (as the case may be), and that conditions in the rural areas are pitiful in the extreme.<sup>1</sup>

The depression has affected almost all commodities, but the most striking decline has been in imports of cotton piece-goods, which have, indeed, never regained their pre-War level.<sup>2</sup> In connection with the decline in Lancashire's exports to India (affected by increased competition from Japan, as well as by the fall in total imports of cotton goods), it may be noted that the most striking changes in the direction of Indian trade, since 1913, are the decline in Great Britain's exports to India, and the increased trade with Japan and the United States. In 1913-14, Great Britain accounted for no less than 64.1 per cent of India's total imports, and 23.4 per cent of her exports,

<sup>1</sup> See H. N. Brailsford, *Rebel India*.

<sup>2</sup> See p. 120 above.

whereas in 1931-32 she accounts for only 35.5 per cent of India's imports, but 28.2 per cent of her exports. In fact in 1931-32 the actual value of trade between India and Great Britain was almost exactly the same in both directions—i.e. Rs.45 crores—a most striking and unusual fact.

Table I. (p. 19) includes figures of India's net trade in bullion and specie: It has long been normal for India to have a large net import of gold and silver, and the balance has only been reversed (in recent times) in 1921 and at present. When India followed England in leaving the gold standard, in September 1931, it became profitable for her to bring out and export her "hoards" of gold. Exports of gold were also stimulated by the need to meet her obligations in London, at a time when a good price could not be obtained for Indian produce.

Objections have been raised to this export on the ground that it amounts to depleting India's reserves, i.e. "living on capital." This is no doubt true, but such capital was not in productive use, and it may be asked, What is the object of a reserve, if not to be used in difficult times?

Reference has been made above to India's "obligations in London." Here we come to one of the chief grievances of Indian Nationalists, i.e. the alleged "drain" from India, which means that India normally has a large

excess of exports over imports of merchandise and specie (taken together). This "favourable balance" (as it is called in other contexts!) is accounted for by the fact that India has to make payments in England for various financial, commercial, and political services, including interest on capital invested in India, profits of foreign commercial and financial concerns at work in India (such as the exchange banks, insurance companies, and the like), pensions and "leave" allowances, and the upkeep of the Indian High Commissioner's office. Space forbids any discussion of this now rather threadbare subject,<sup>1</sup> and it may merely be remarked that by far the largest item is interest on capital invested in India, especially on railways, and that—although there may be incidental disadvantages arising out of foreign control—such capital has been one of the biggest factors stimulating increased production and modernisation in India.

The main factors influencing the strength of India's position as a trading nation have now been reviewed, and, apart from the deplorable influence of the present world-wide depression, our conclusions have been, on the whole, optimistic. But one or two great weaknesses in India's commercial system deserve notice.

India is definitely backward as regards the

<sup>1</sup> See my chapter on "Population, Poverty, and the Drain," in *Modern India*, edited by Sir John Cumming (1931).

financing and organisation of trade (internal and external). Her marketing methods have much to be desired. This leads us to ask, who are the traders in India, and how do they carry on their business?

Foreigners, especially British traders and bankers, still undertake a large part of the actual overseas trade, and the financing of such trade to and from the great ports is almost entirely in the hands of the exchange banks, the Imperial Bank, and of European-managed joint-stock Banks. There is no reason to suppose that the organisation and methods of these institutions are not up to the best standards prevailing elsewhere. No less than 17 exchange banks (whose headquarters are abroad) are at present at work in India, and joint-stock banking, according to Western methods, has made great progress since the War.

The European firms engaged in Indian trade are organised on what is known as the "managing agent" system (which has also been adopted in most of India's large-scale industries). This means that large and often long-established concerns undertake the "managing agency"—that is, actual management—on behalf of companies formed (usually in Europe) to promote special lines of trade (or industrial or plantation production). The managing agents therefore deal in a large variety of commodities, and control actual



production as well as trade. The system has the advantage that it provides expert, reliable, and continuity of management, but is criticised on the score of undue concentration of control, lack of initiative, and evils arising out of a possible clash between the interests of the various companies whose affairs may be in the hands of the same firm of managing agents.

Both European and Indian traders, planters, and mill-owners maintain the usual forms of commercial associations found in the West, such as Stock Exchanges, Chambers of Commerce, Millowners' Associations, Planters' Associations, Associations of Retailers, etc. In most large centres there are Chambers of Commerce which admit both Europeans and Indians, some which admit Indians only, and some confined to the members of particular Indian trading classes or castes.

It is in the organisation and finance of internal trade, including that of trade between the big ports and up-country markets or centres of production, that the chief weaknesses are found. An attempt was made to improve the facilities for financing internal trade in 1921, when the Imperial Bank of India was formed by amalgamating the Presidency Banks of Bengal, Bombay, and Madras. It was then laid down that at least 100 branches should be established within the next few years, but a large part of the internal trade is still in the

hands of the members of special indigenous trading castes or classes, such as the Chetties, Marwaris, and Barnias. Some of the wealthier traders make use of the financial facilities offered by modern types of banking institutions, but in many cases the commodities pass through the hands of an exceptionally large number of small middlemen, who finance such trade either with their own capital, or through the medium of indigenous banking or financial institutions, which have no direct contact with the exchange banks, and often little direct contact with any of the numerous branches of the Imperial Bank. There is no organised internal bill-market in India, and very high and varied rates are charged for financial accommodation, quite out of relation to the Imperial Bank rate, or to the rate charged by joint-stock banks. The result is that the producer does not obtain a good value for his crop. More often than not the cultivator accepts an advance from the village middleman, to whom he is thereby bound to sell his crop, at a great disadvantage, immediately after the harvest, when prices are lowest. In addition the actual methods of preparing, packing, and transporting crops are extremely primitive, and good storage facilities are lacking. Goods are not graded or standardised, and are often dirty, adulterated, and badly packed. Co-operative selling and marketing have been

advocated as the best cure, and have been tried with success in certain areas, for certain commodities (e.g. the Gujarat Co-operative Cotton Ginning Societies), but have, as yet, touched only the fringe of the problem.

From the foregoing discussion it can be concluded that, on the whole, India's position as a trading nation is fundamentally strong, despite certain unsatisfactory features. Any considerable expansion of trade is, however, dependent on a revival of world trade. Should such a revival occur, India is in a position to take full advantage of it.

## 5. POTENTIALITIES OF INDUSTRIAL DEVELOPMENT

By PROF. V. G. KALE

ACCORDING to a widely accepted idea, the economic development of nations has passed through definite stages beginning with hunting and ending in a combination of agriculture, manufactures, and commerce, and, by thinkers like List, England was regarded as an object of admiration and an example fit for imitation in this respect for other nations. Leading nations in the West and Japan in the East have surely undergone this process of evolution, and the prevailing form of economic organisation there is known as "capitalism." Nations are characterised as agricultural or industrial according as agriculture or manufacturing activity is the predominant feature of their economic conditions. Dr. R. Wilbrandt (*Unsere Volkswirtschaft heute und morgen*) speaks of Germany in the following terms: "Our German national economy is an agricultural-industrial state. Agriculture is one pillar and industry the other, on which two it rests. Compared with an industrial nation like England, Germany's self-sufficiency as to land produce

is striking. Compared with agricultural nations like Hungary, Canada, and the Argentine, Germany shows the characteristic capacity to conjure into existence technical wonders like airships or to create out of coal new products like chemical dyes and medicines." The rapid industrial progress of England, based as it was on free competition and unrestricted trade, involved the predominance of manufactures and the subordination of agriculture ; and that nation came to occupy a specialised position in world economy. In the so-called international division of labour, England could buy food-stuffs and raw materials cheap from outside, and sell, in exchange, British fabrics with profit. With the advent of powerful competitors in the field of manufactures, however, the question arose whether the change from an agricultural to an industrial state was, after all, beneficial. The answer to that question, which was long debated, is no longer in doubt ; and nations have come to regard agriculture and manufactures as complementary parts of their economies. The Ottawa Agreement for the countries comprising the British Empire, is a proof of the recognition of this fact, as is also the greater attention that is now being devoted to the improvement of the condition of farmers in Great Britain and the U.S.A., and to the safeguarding of their particular interests. It has become a question of ensuring national

security, and States are attempting to promote agriculture as much as manufactures within their territories, so far as this is practicable.

Modern industrial organisation has certain well-known features, and what industrial progress India has so far achieved has followed, at a long distance, the same lines as development in Western countries. India has not remained and cannot remain uninfluenced by the systems of industry, banking, and commerce which have been evolved in the leading countries of the world, and if she is to take her proper rank among them, her people and Government have to examine how her natural and human resources may be utilised to the best advantage to bring about the desired results. Before discussing the prospects for the growth of industries in India, it will, therefore, be useful to indicate how Western countries have achieved industrial progress, what economic and other forces have been at work there in the process of development, and at what stage of evolution they stand at the present moment. In the light of knowledge of their experience, and of the forms of the economic and social organisation they have evolved, it will be convenient to form a correct judgment of the possibilities of industrial progress in India. In spite of the recent growth of certain manufacturing industries in the country, India is still a predominantly agricultural country, and her people may



have many a useful lesson to learn from the industrial history of Western nations and Japan. The position of nations in world economy has radically altered since the close of the War, and each one of them is now trying to take stock of the prevailing conditions, and to adjust itself to them as far as practicable. Large questions of State policy have arisen in this regard, and economic and political constitutions have been and are being revolutionised in certain countries for this purpose. The situation is very confusing, and the proceedings and the unexpected collapse of the World Economic Conference, which met to find a solution for its perplexing difficulties, brought out clearly the divergence of views and needs of nations in spite of their common heritage of the capitalist system. The evolving mode of culture, the progress of science and technology, and the force of circumstances generally, have driven nations into that system. Some believe that the system has, on the whole, proved beneficial to mankind and will continue to dominate human society, with slight adjustments. Others feel that important changes in its structure are essential if it is to serve its purpose. And there is a school of thought which holds that, having outlived its usefulness, the system will destroy itself and will be replaced by another of which equality, justice, and true humanity will be dominating

features. Now, where does India stand with reference to this form of organisation, and what is likely to be its economic and industrial future? Can we trace in India the makings of an industrial nation? Is the extent of possible industrial development limited by natural, racial, and social conditions peculiar to India? Must India follow a line of economic evolution all its own? Or must she tread the path along which other nations have gone forward? And what are the conditions of success in either direction?

Leaving aside the subjective element involved in the possible answers to these and similar other questions, and confining ourselves to the actual conditions as they are found to-day, we may first refer to the peculiarities of capitalism, which dominates the world to-day, and the advent of which in this country is the main cause of the growth of such industries as it can boast of. Capitalism has been variously defined, and its characteristics have been differently stressed by writers. Werner Sombart's classical work on the subject has traced the growth of capitalism from the early stages to its present position, and he looks at it from the three-fold point of view of its spirit, its organisation, its technique, showing how at each step in evolution the system takes on a new shape while retaining some of the features of the old. In the modern capitalist system the

entrepreneur forced himself to the front as an industrial organiser, as a business man or as a financier, and was inspired with the urge to draw for himself the utmost profit out of his undertaking. In his hands, concentration of capital, mass production, the application of scientific and technical improvements and the employment of wage labour became the striking features of industrial organisation, which has tended to be monopolistic, in some instances without Government assistance, and, in others, with it. (See *Kapital und Kapitalismus*, edited by Dr. Bernard Harms.) The nineteenth century was, for Europe, a period of a change over from the handicraftsman's home industry to the large factory, from the limited land and trade capital to bank and financial capital, and from small concerns to big undertakings, spreading themselves over countries and continents. The manner in which this economic revolution occurred, was not uniform in all countries, though the change was in essence the same. In England, the industrial capital came from the large profits obtained in expanding and prosperous trade ; and the factories became, more or less, family concerns, with their pride of family and tradition, this being rendered possible by the absence of competition from rival countries owing to the long start British industries had secured in the race for wealth. The development in France has taken

somewhat similar lines, with the difference that that nation supplied to outside markets mostly articles of quality and of luxury. The American economy represents a different type altogether. (This characterisation has been taken from Theodore Meyer's *Deutsche Wirtschaftsgeschichte der Neuzeit*.) It is free from all restrictions of tradition, and has for its aim the maximum profit to be obtained from each undertaking. The German entrepreneur stands midway between the two types, and though, in the beginning, he followed in the footsteps of England, he soon adopted the American methods. And American trusts and German cartels are typical developments of capitalism.

From the above account of the all-pervasive capitalism which dominates Western communities to-day, it is not to be supposed that the other forms of economic organisation have disappeared altogether, or that these display no power of resistance. Large-scale production, with the help of machinery and under the control of entrepreneurs, has not been able to displace handicrafts, land cultivation by small peasants, and petty trade, and the two forms are found in operation side by side. This mixed system has been characterised as "late capitalism" by Sombart, to distinguish it from the early and the full-blooded forms of capitalism of the preceding centuries. The position in a country like Germany in this respect is an

interesting example of the way in which hand-workers, small peasants, and petty traders have successfully maintained themselves against the encroachments of capitalism, and how co-operative societies, Government undertakings, and social organisations have counteracted the influence of that system resting solely on organised self-interest. It has been estimated that about two-thirds of the German population engaged in work has still not been drawn into the vortex of capitalist activities (Dr. Gerhard Colm in *Kapital und Kapitalismus*). This fact is important in discussing the industrial conditions and prospects in India, for the reason that we have here a vast population which still continues to live in the pre-capitalist style. If elimination of the dire poverty of the people and an improvement in their standard of living were possible only in the midst of capitalism of the advanced type, there would be little hope for a bright industrial future for India. The prospect would be less dark and even cheerful if capitalism of the future permitted other forms of industrial organisation to thrive and itself underwent radical modification. The prophecy of such an authority on the subject as Dr. Werner Sombart about the future of capitalism is that it will lose its predominance, that it will have to submit to State restrictions, that its driving force will be weakened, and that it will become more stable

and quiet. All this, of course, on the assumption that capitalism is an affair of the white races. He is, however, inclined to agree to the view that the future belongs to the coloured races, who will have their own forms of capitalism which will contain important elements of the Western system. Only it will not be "modern capitalism." This view of Dr. Sombart should be understood with reference to his important thesis that such phenomena of civilisation as modern capitalism, not less than the cultures of peoples, are historical individualities which enter into history only once (Sombart, *Der Moderne Kapitalismus*, III., 2).

India has, in this twentieth century, an economic system (barring a few notable exceptions) similar to that which prevailed in Europe in the seventeenth and eighteenth centuries. Its population has steadily grown under British rule, now reaching the 35 crores mark, in spite of the "positive" checks of famine and epidemics. The process of subdivision and fragmentation of holdings has gone on apace in Indian agriculture, and cottage industries are in a state of decay. National income is extremely low, and the standard of living of the bulk of the population is admittedly most unsatisfactory. The modern type of industry is restricted to a few centres and to a small number of manufactures, and is in its initial stages of development. A new



outlook and a new policy have been adopted only during the past few years, and particularly in the post-War period. India compared very favourably with the countries of the West in the matter of her industries before the opening of the era of modern capitalism. With skilled craftsmen, enterprising traders, and patient and industrious peasants, India's economic organisation stood on a high level of efficiency. The struggle of the Western Powers for predominance in Asiatic markets, the ultimate triumph and the political rule of the British East India Company in the eighteenth and the first half of the nineteenth century, and the application to the administration of the country's affairs of the colonial and free trade policies, rendered it impossible for the Indian economy to develop along new lines or to hold its own against superior foreign competition. The transition of a well-balanced to a decaying national economy has been investigated and described in several well-known books, e.g. Romesh Chandra Dutt's, and the contrast between industrial development in Western countries and that in India has been likewise brought out by many writers. But, under the spell of the colonial and *laissez faire* doctrines which inspired British policy in this country, things were left to drift until attention was called to the problem by the frequent recurrence of disastrous famines in the land. This

question was investigated by no less than three commissions, the first of which pointed its finger correctly to the primary cause of the evil, viz. that "the great mass of the people directly depend on agriculture, and that there is no other industry from which any considerable part of the population derives its support." It had no hesitation in declaring that "the complete remedy for this condition of things will be found only in the development of industries other than agriculture and independent of the fluctuations of the seasons." This was the famous "diversity of occupations" argument which had already led Governments in other countries to pursue a policy of direct encouragement of industries by means of protective tariffs and otherwise. This fact was repeatedly brought to the notice of Government by Indian publicists and students of Indian economic conditions. But "nothing doing" summed up the attitude of the State which was not prepared even to remove the cotton excise duties which hampered the growth of the Indian textile industry. So late as in the first decade of this century the Secretary of State for India was still doubtful if Government could go beyond expending funds upon "familiarising the people with such methods of production as modern science and the practice of European countries could suggest," and in 1912 he felt persuaded "to

recognise that in certain cases instruction in industrial schools may be insufficient and may require to be supplemented by practical training in workshops, where the application of new processes may be demonstrated."

Industrial development on a large scale receives its impulse from some social or intellectual movement which acts as a powerful spur to action. In India there was no middle class which enjoyed power, the educational system was defective, and those who possessed wealth that could be turned into industrial capital had neither enterprise nor knowledge of world economic movements. And Government was consistently apathetic, and was roused to activity only by the urgent requirements of the Great War. The Indian Industrial Commission, which was appointed in 1916 as a result of the pressure of public opinion and of war necessity, has itself given an instructive analysis of the situation which is worth reproducing : " These failures (of State-aided industrial enterprises) strengthened the erroneous idea that tropical countries, with their naturally fertile lands and trying climate, were suited to the production of raw materials rather than to manufactures. The growing success of the textile industry did little at first to dispel this view, and, as the doctrine of *laissez faire* established itself, gave further force to the theory that Government was ill-qualified to further industrial development

by direct action, and that all such matters should be left to private enterprise. The efforts of the State were concentrated on the improvement of communications and on facilitating the flow of trade, which continued, under the conditions above described, to consist mainly of exports of Indian raw material and imports of foreign-manufactured products. But the feeling which gradually arose among thoughtful men in India, that the existing conditions were unsatisfactory and were even inimical to national development, was well-founded ; and, accentuated by the growing pressure of foreign competition, and latterly by the stress of a terrible war, has culminated in a universal demand for a complete industrial system on Western lines " (Report, p. 2). The truth of the observation made at the beginning of this paragraph to the effect that the impetus to large industrial movements often comes from some political, social, or intellectual upheaval, is borne out by the strides which Indian manufactures made during the War and the post-War periods, and the active support which Government felt called upon to give to them as a matter of national policy. The report on constitutional reforms issued by Mr. Montagu and Lord Chelmsford, the Secretary of State and the Viceroy, in 1918, contained the following passage : " On all grounds, a forward policy in industrial development is urgently

called for, not merely to give India economic stability, but in order to satisfy the aspirations of her people, who desire to see her stand before the world as a well-poised, up-to-date country ; in order to provide an outlet for the energies of her young men, who are otherwise drawn exclusively to Government service or a few over-stocked professions ; in order that money now lying unproductive may be applied to the benefit of the whole community ; and in order that the too speculative and literary tendencies of Indian thought may be bent to more practical ends, and the people may be better qualified to shoulder the new responsibilities which the new constitution will lay upon them. . . . But both on economic and military grounds imperial interests also demand that the natural resources of India should henceforth be better utilised. We cannot measure the accession of strength which an industrialised India will bring to the power of the Empire, but we are sure that it will be welcome after the War." The comment of Pandit Madan Mohan Malaviya, who was a member of the Industrial Commission, on this passage, is significant. He says : " How far the hope so raised will be realised, will depend largely on the decision of the vital question whether the power as well as the responsibility of promoting the industrial development of India shall be placed in the Government of India, acting under the control

of the elected representatives of the people in the Legislative Council. This factor governs all our recommendations " (Note appended to the Report, p. 292).

The task of supplying war requirements in the Eastern theatre had fallen on India, and, in fulfilling it, the Government and the people discovered that there were in this country natural and human resources capable of making it an industrial nation. There was a variety of raw materials that could be manufactured into finished products, having a large market ; that there were men with sufficient enterprise who could undertake the organisation of new industrial concerns, and that there was capital enough that might be available for their finance. What was needed was encouragement, direction, and guidance, at least in the earlier stages of enterprise. The manufacture of steel, leather, cement, and other commodities already gave promise of success, and the conditions required for industrial expansion on a large scale were present. The rapid survey of the position, made by the Industrial Commission, had clearly brought out the prominent features referred to above. It stated : " Prominent among these are the great cities of Bombay and Calcutta ; up-country manufacturing towns like Cawnpore ; distributing markets like Delhi ; the cotton and jute tracts where machinery and markets have been gradually



called into existence to deal with important commercial crops ; the railway workshops ; and the coal and iron districts of Bengal and Bihar." As regards the organising capacity, the capital, and the business enterprise indispensable for development, the Commission had the following remarks to make : " These are alike characterised, in a greater or less degree, by the presence of large traders and leaders of organised industry accustomed to buy and sell, or to manufacture on a wholesale scale, and in close touch with the conditions of world markets and world industries ; of aggregations of capital ; of groups of factories and bodies of semi-skilled or unskilled labourers, who have migrated thither, temporarily or permanently, from distant places, leaving the homes and small farms, which they often still possess, to the care of their families or relatives ; and of larger or smaller engineering works, which have sprung up to supply the needs of organised industries and required the services of skilled mechanical engineers and artisans." According to the Commission, India was not lacking in that essential factor of modern capitalism, represented by individual initiative and daring, adverted to in our earlier observations, and it felt assured that " a new spirit has arisen, evoked by the genius of a few men who have boldly faced the industrial needs of India and have not been deterred by the large scale on

which it is necessary to start operations. They have instituted such thorough preliminary enquiries that they have been able to accept the conclusions reached with confidence, and, when these were favourable, to act upon them. The success which they have achieved as a result of the scientific methods adopted has encouraged others to similar efforts, and these have been further stimulated by the War, which has already demonstrated the vital necessity for industrial development, and has, temporarily at least, lessened foreign competition" (Report, p. 9).

One sure indication of the development of industries in a country in modern conditions is the increase in the number of joint-stock companies, and in the amount of capital invested in them. The close of the Great War witnessed in India a great spurt in the formation of new companies, and in the establishment of new factories. The condition of boom is reflected in the statistics of joint-stock companies in the years immediately succeeding the end of the War. Whereas the number of companies had increased, during the four years 1915-16 to 1918-19, from 2,411 to 2,713, and their paid-up capital from Rs.84.5 crores to Rs.106 crores, the increase in the course of the next four years was about 28 per cent as regards the number of companies, and about 150 per cent in the amount of paid-up capital.

Expectations had run very high, in relation to industrial advance, on the close of the War, huge profits had been made by industrialists and traders, and all sorts of schemes of economic expansion had been planned. Another test of industrial development during the post-War years is afforded by the increase in the value of the imports of machinery. The average annual value of these imports in pre-War years was Rs.5 to 6 crores, whereas the average for the five years 1919-20 to 1923-24 was about Rs.20 crores. It is true that much external capital was engaged in the larger of the Indian industries ; but it is equally true that the public in India was getting more and more accustomed to the employment of its savings in industrial undertakings. Factory labour in India is not indeed as efficient as American or British labour, but this deficiency was not such a serious handicap that it would stand in the way of the progress of industries. Labour in India has been adjusting itself to the requirements of the changing situation with remarkable success, it must be said to its credit, when the conditions in which the workmen are brought up, and have to live and labour, are taken into consideration. With a steadily increasing population the market for manufactures is widening, and there was ample room for the products of indigenous manufacture. India abounds in raw materials such as

cotton, jute, oilseeds, hides and skins, and sugar cane ; and these are capable of improvement both in quantity and quality. The question of agricultural improvement was referred to in this connection by the Industrial Commission, and has been recently exhaustively dealt with by a Royal Commission. The mineral resources of India are certainly not comparable with those of some of the other countries on which Nature has lavished her special bounty in this respect. But they are, at any rate, "sufficient to maintain most of the so-called 'key' industries, except those that require vanadium, nickel, and possibly molybdenum" (Indian Industrial Commission's Report, p. 38). With all these factors in the country's favour, the only vital condition for success lacking was the direct encouragement and assistance of the State. For the apathy of Government the public has, for years, tried to make up by taking to the *Swadeshi* (buy home-made goods) movement. But this form of encouragement was far from sufficient. Infant industries, or industries struggling to keep their heads above the tide of foreign competition, needed the protecting and guiding hand of Government.

The constitutional reforms inaugurated in 1921 provided to the people an efficient lever to move the Government to do its duty by the industries of the country ; and the members of the new legislature lost no time in pressing on

with the change in State policy for which the public had pleaded in vain for years together. The principle that the Indian Government and legislature should be given freedom to determine the tariff policy they thought was best in the interest of the country had been foreshadowed in the Montagu-Chelmsford report on constitutional reforms, and had been accepted by His Majesty's Government. The new Indian legislature now pressed the authorities to take steps to give effect to that principle. The Fiscal Commission thus came to be appointed towards the close of 1921, with instructions "to examine, with reference to all the interests concerned, the tariff policy of the Government of India, including the question of the desirability of adopting the principle of Imperial Preference, and to make recommendations." A review of the industrial position led the Commission to draw conclusions almost similar to those of the Industrial Commission. And, as regards the conditions governing further development, it stated as follows : "As regards the supply of raw materials, India stands in a favourable position, as is shown by the fact that she habitually exports large quantities. She also provides, for the products of many industries, a large home market, capable of absorbing an output enormously in excess of that which her factories at present produce. The system of transport is fairly

developed in most of the provinces, and though the condition of the railways has, in consequence of the War, fallen far below a reasonable standard, funds are now being provided which should enable the railways within a few years to give the facilities which industrial development demands. Finally, the difficulty of finding Indian capital, which some years ago seemed to impose a definite limit on the expansion of Indian industries, seems to be vanishing gradually under the influence of new ideas bred of education, new banking facilities, and a new enthusiasm for the employment of capital in industries." The figures relating to the foreign trade of India revealed the facts that between 70 and 80 per cent of the imports were classed as wholly or mainly manufactured, sugar being included in the category of "food, drink, and tobacco." Of the exports, about 40 to 50 per cent were raw materials, nearly 30 per cent manufactures, mainly jute and cotton, and 20 per cent were food, drink, and tobacco, principal items in this class being tea and grains. Cotton goods, including yarn, represented 30 per cent of the imports, iron and steel 8 per cent, machinery 6 to 7 per cent, railway plant 4 per cent, and hardware 3 per cent. The United Kingdom was an easy first among countries supplying goods to India, and took more Indian exports than any other single country.



The Commission had no hesitation in holding that "a considerable development of Indian industries" would be very much to the advantage of the country as a whole, "creating new sources of wealth, encouraging the accumulation of capital, enlarging the public revenues, providing more profitable employment for labour, reducing the excessive dependence of the country on the unstable profits of agriculture, and, finally, stimulating the national life and developing the national character." The policy recommended by the Commission, and adopted by the Government and the legislature, was characterised as "discriminating protection." Industrial protection, of course, means a sacrifice exacted from the consumer, and this price has to be paid by the community for the greater advantages it is expected to derive, directly and indirectly, as compensation. The conclusion of the Commission in this connection was that, "in the interests of the consumers generally, and particularly of the masses of the people, in the interests of agriculture, in the interests of steady industrial progress, and for the maintenance of a favourable balance of trade, the policy of protection which we recommend should be applied with discrimination, so as to make the inevitable burden on the community as light as is consistent with the due development of industries, and to avoid abrupt

disturbances of industrial and commercial conditions." The Tariff Board, to which cases of industries claiming protection were to be referred for examination and recommendation, was enjoined to see that every industry which was recommended for the grant of protection satisfied three important conditions, viz. that (1) it must be one possessing natural advantages, such as an abundant supply of raw material, cheap power, a sufficient supply of labour or a large home market ; (2) it must be one which, without the help of protection, either is not likely to develop at all, or is not likely to develop so rapidly as is desirable in the interests of the country ; and (3) that it must be one which will eventually be able to face world competition without protection. What an abiding impression the World War left on the minds of all those who had tasted some of its horrors may be judged from the strict precautions which nations have felt it essential to take for their own defence against a possible enemy. It is easy to realise that it is the fear and suspicion with reference to national safety that have been mainly responsible for the failure of the Disarmament and Economic Conferences. The Indian Fiscal Commission frankly admitted an important exception to the general principles of the policy of protection recommended by it, and referred to above, on this very ground. It had in mind "industries the

protection of which cannot be justified on an ordinary economic basis, but which yet may require protection on the broad ground of national safety. The Great War," it observed, "has brought these considerations into prominence ; they can hardly be overlooked by a generation which has seen for itself the wide area of the material foundations on which success in war is built up," and it laid down the following proposition for guidance in this matter : " Nevertheless we have no hesitation in affirming the principle that any industry which is essential for purposes of national defence, and for which the conditions in India are not unfavourable, should, if necessary, be adequately protected irrespective of the general conditions which we have laid down for the protection of industries." Industries of military importance, which are essential for national defence, are to be carefully selected according to the above principle, and special treatment is to be accorded to them.

Manufacture of steel and iron, built up by the genius of the Tatas, received the special blessings of the Commission, and it was to be one of the first subjects of enquiry by the Tariff Board. The importance of this industry from the point of view of national defence was undisputed ; and though Indian pig-iron could hold its own without any protection, steel manufacture involved highly technical processes

which, in the absence of properly trained labour, entailed the importation of expensive foreign workmen and the facing of severe outside competition. What are known as basic industries also deserved similar special treatment, which might take the form of State bounties rather than of tariff duties ; and the governing consideration here was that of national economics rather than that of the economics of a particular industry. During the past ten years, more than a dozen more or less important industries have asked for protection, and their claims to public assistance have been scrutinised strictly in accordance with the basic principles laid down by the Fiscal Commission for the guidance of the Tariff Board. The claims of some of the industries have been rejected on one ground or another, and those of others have been admitted. The manufacture of steel was the first industry to be examined and the first to receive protection by tariff and bounty, and its case was further examined twice, in order that the protection conceded to it might be adjusted to the requirements of the changing conditions. The period of ten years, stipulated at the last enquiry, having now nearly ended, a fresh investigation has been recently undertaken by the Tariff Board. A broad survey of the condition of Indian industries, whether they have claimed and received protection or not, is calculated to substantiate

the belief that most of the factors that contribute to the success of manufactures are present in India, but that there are certain peculiar difficulties that require to be overcome. Steel, paper, cement, printer's ink, wire and wire nails, galvanised hardware, ships, coal, matches, salt, sugar, glass are, for instance, industries which have been closely studied, and the above remark generally applies to all of them and will apply to many others which have not been so examined. The reports of the Tariff Board on the various industries referred to it for scrutiny throw very instructive light on this subject, and it appears to be necessary that we should go into it here a little more closely.

It should be borne in mind that though we may have plenty of raw materials and sources of power, and also potential large markets, these may be so situated in relation to one another, that manufacture at a competitive price may not be possible. India is a big country—a sub-continent—and in spite of railway communications the transport of commodities becomes a costly affair, and the high rates that have to be paid for moving the raw material or the coal to the factory, and the finished products from the factory to the markets, may make all the difference between profit and loss, and life and death to an industry. Sea freight is comparatively low, and foreign

commodities, coming from long distances over the waters, can compete with Indian products, which have a much fewer miles to cover over land. The theory of localisation of industries, which has been well-developed in economic science, can be profitably applied to an understanding of the problems of the development of Indian industries. (See Prof. V. G. Kale, *Economics of Protection in India*.) In the cases of steel, paper, cement, salt, sugar, and even cotton and jute, the factors of situation in relation to the market, coal, and raw materials, have proved as important as in relation to capital and labour. These various elements in the problem of establishing new industries have to be adjusted—so far as they are capable of adjustment to one another—so that the aggregate cost of production may not exceed a certain limit. If this adjustment is not practicable, an industry cannot prove successful, though it may have many conditions in its favour. It is possible that certain disadvantages, liable to hamper a factory, may be counter-balanced by some advantages peculiar to it. The carelessness, or the ignorance, that has failed to take proper account of these considerations, has cost many an industrial concern very dear in India. Another point to which attention may be directed relates to the fact that the Indian demand for a commodity may consist of a variety of sorts and kinds, which



cannot all be manufactured in this country profitably, for the reason that the cost of turning out a large number of qualities, each in a small lot, will be prohibitive. Then again, some articles may be capable of being remuneratively produced only if they are manufactured in conjunction with others, the two together forming a joint supply. The enquiries made by the Tariff Board, as we have stated above, reveal a number of interesting facts in connection with suitable and unsuitable location of factories, the situation of markets, the tastes of consumers, transport charges for raw materials and finished products, and so forth, and they give an indication of the possibilities of industrial development of India in different circumstances.

The position of the cotton textile industry provides an interesting case. Within recent years it has made very rapid strides, and the products of Indian mills have successfully displaced foreign imports to a very large extent. They are turning out finer varieties of cloth in increasing quantities, and for this purpose are using a growing volume of imported raw cotton. The industry in Bombay, in particular, has, however, been suffering sorely from Japanese competition in recent years, and the import duties have been consequently enhanced. This is one of our oldest industries, enjoying the advantage of the raw material,

and a market near its very door, and it has caused not a little surprise that it is being out-done by Japan, which has to import its raw material from India itself. There appears to be no doubt that the management of the Bombay mills, which have indeed their own difficulties to face, is capable of improvement, and the consumer will not long consent to bear the burden of heavy protective duties on their account. Japanese competition, which to-day extends to several articles besides cotton cloth, has also hit Lancashire, and is the result of special circumstances. As a retaliatory measure against the enhanced duties upon imports of cotton cloth from Japan, the manufacturers there have threatened a boycott of Indian raw cotton, on the exports of which the profit of the Indian cotton-grower largely depends. This whole problem is still, however, being considered by Government, and the results of the enquiry recently made by the Tariff Board are not known. The protection granted to sugar has raised a large crop of sugar factories, and it is stated that the total productive capacity of these already exceeds the demand for the article in the country. A proper distribution of the factories over the different parts of the country at suitable centres seems obviously to be called for. The general impressions left on one's mind by a review of the position of various industries in India is that the prospects for

further development are decidedly favourable. In spite of certain discouraging circumstances, which go with the appalling ignorance and poverty of the mass of the people, there is a new spirit abroad ; and enterprise, capital, and labour are combining to march forward along the path of development.

The past few years have unfortunately, however, been a period of world-wide depression, which has given a setback to the movement of economic progress. All classes have been affected by it, agriculturists, traders, workmen, and the middle class. It is not possible, therefore, to form a correct estimate about the future, and also to judge of the effects of the policy of protection inaugurated ten years ago, in these abnormal times. But the urge to industrial development is surely in operation, and, apart from the larger industries mentioned earlier, a number of middle-sized and small concerns of all descriptions are springing up in all directions. The cinema industry which is rapidly making headway, is a typical example. A large range of numerous articles can now be manufactured in the country, and this process is expected to go forward with greater rapidity. The importance of the larger industries is undisputed, but reliance in India cannot be placed only on them for the nation's salvation. It has now been clearly recognised that middle-sized and small industries must receive greater

attention ; and the starting of industries supplementary to agriculture is proving a hard nut to crack. The unemployment and underemployment which widely prevail over the countryside, and the extreme difficulty of providing suitable occupations to the educated workless, are an aspect of the industrial situation that is, at present, baffling the public mind. The prevailing financial stringency makes it impossible for the State and the public bodies to undertake new works and to take practical measures to assist the development of industries and trade. The learned professions are being overstocked and yet the flow of university graduates does not abate but steadily increases. There is no outlet for these men into trade and industries, since they have no opportunities, and, in many cases, no aptitude for other than clerical and literary work. This is partly the result of the existing defective educational system, and is also due to the political and social causes which have long been at work. The hope for the future, however, lies in the change that is coming over the public mind, goading it on to rise superior to difficulties. What has been achieved under the influence of the fiscal policy of the past few years is a source of encouragement, and the experience of the advance made throws a bright ray of optimism into the gloom which at present overspreads the landscape.

It is a matter for regret, however, that the political situation, on which the future of industries must largely depend, is far from encouraging at the moment, and one does not know what the "safeguards," proposed in the new constitution, will mean in terms of economic development. The future of State policy as regards railways, the central reserve bank, and currency and exchange and tariffs is most uncertain, and, from the nationalist Indian point of view, disquieting. The Ottawa Agreement, though it was supported by the Indian legislature, was strongly opposed by the general public, the Indian mercantile community included. Nations all the world over are strenuously endeavouring to protect their own agriculture, industries, and trade; and self-sufficiency, as far as it is practicable and desirable from their own point of view, is the aim they have placed before themselves. It is in this direction that, rightly or wrongly, the world is moving, and the hopes justifiably entertained about the industrial future of India are likely to be dashed to the ground if Government in this country does not take note of this tendency and adjust itself to the conditions as they shape themselves. As we have pointed out in an earlier paragraph, small industries and trade are not ruled out under the prevailing form of capitalism. These can take advantage of technical and scientific improvements as much



as the large manufactures, and maintain their position. India has to take note of this fact, and its Government and people have to pursue a policy of assisting them as well as small farmers. Industrial development includes progress all along the line of economic endeavour by the determined common will of the people and the State. Given these conditions, the possibilities of industrial development in India are great, despite the prevailing gloomy conditions. To-day one can only hope for the best.

To conclude. That the industrialisation of India is a dire need has been generally admitted and that this object can be achieved with the co-operation of the Government and the people, with the natural advantages that the country possesses, is not disputed. The result of such concerted efforts may indeed not be to convert India at once into a predominantly manufacturing country, whose national standard of life rests very largely, if not exclusively, upon the exports of manufactured commodities and services, e.g. England. The ideal of self-sufficiency which nations all the world over are found to follow to-day as also the protective tariffs which have been set up along national boundaries everywhere, are factors that have to be reckoned with in this matter. The very basic idea of the so-called "division of labour," on which international trade is supposed to rest, has undergone a



radical change during the past few years, and international exchange takes place, more and more, in specialised products and services. There is, however, no reason why India should not aspire to develop industries in the way other nations have done and take an increasing share in the world trade in manufactured goods. The minority of the Fiscal Commission, therefore, very strongly dissented from the view taken by the majority of their colleagues in this matter, and stated : " We may point out here that while we want India to rise to a commanding position in the matter of her industrial development under the policy of protection, our colleagues anticipate as a result of the qualified policy which they recommend that ' India for many years to come is likely to concentrate on the simple forms of manufactured goods.' A policy which is likely only to lead to this result for many years to come, is not and cannot be acceptable to the people of India." That India should, in the main, be an exporter of raw materials and food stuffs and an importer of manufactured commodities is an intolerable position, which can no longer be believed to be " natural," as used to be wrongly supposed in the past. Following the lead given by other nations, India can take her place in international competition ; and for this, the conditions of success are, by no means, lacking. The competition of Lancashire

and Japan in the Eastern markets, is extremely significant in this respect. India has given a demonstration of her capacity for competition in the sale of pig-iron in the world market recently as she has been doing for years, in jute manufactures owing to monopoly in the raw material.

If this may be deemed too ambitious, the substitution of home-made products for many of the goods now imported in large volume, is a perfectly reasonable expectation. India ought to be able to clothe herself completely with stuff manufactured in her own mills ; and by itself, this will mean a great advance over the present state of affairs in which while nearly half of her annual cotton crop is exported, her imports of cotton textiles are considerable. In the supply of sugar, matches, paper, glass, oils, soaps, cement and several other articles, such as engineering materials, cutlery and hardware, it is quite practicable for this country to be self-supporting in a very large measure. Middle-sized and small industries will be suitable for purposes of such manufacture and people even in the rural areas are now becoming more and more familiar with the technical processes and their organisation. This improvement will have to extend to home industries, and there is no doubt that the capital and the technical skill necessary are forthcoming without much difficulty. The

popular cry for the Indianisation of such industries and businesses as are not in Indian hands to-day, is a proof of the new awakening that is coming over the public mind, and the growing tendency to invest capital in industrial concerns is also an indication of the same tendency. The question of credit and banking facilities has been recently fully investigated by the central and provincial committees, and their suggestions, if adopted, will go a long way to help the promotion of the industries, trade and agriculture of the country. The spectre of unemployment is driving the educated classes to industrial and commercial careers, and the severe struggle for existence is proving a powerful drive towards industry. A national policy and a national will to win will alone enable the country, however, to adjust itself to the changing phases of world economy and to secure its higher industrial destiny. However advantageous the country's position may otherwise be, economic prosperity will not fall into its lap ; it will have to be deliberately organised and secured against difficulties.

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